Allied Powers (1919-) REPARATION COMMISSION.

XI A.

# OFFICIAL DOCUMENTS.

---

**Report by the Commissioner for the German Railways (First year of application of the Experts' Plan).**

**Report of the Commissioner of the Reichsbank (11th October, 1924—31st August, 1925).**

**Report of the Commissioner of Controlled Revenues (1st March—31st August, 1925).**

**Report of the Trustee for German Industrial Debentures (1st March—31st August, 1925).**

---

LONDON:
PUBLISHED BY HIS MAJESTY'S STATIONERY OFFICE.

To be purchased directly from H.M. STATIONERY OFFICE at the following addresses:
Adastral House, Kingsway, London, W.C. 2; 28, Abingdon Street, London, S.W. 1;
York Street, Manchester; 1, St. Andrew's Crescent, Cardiff;
or 120, George Street, Edinburgh;
or through any Bookseller.

1926. 2d set

*Price 3s. 0d. net.*

30 B58
26

II 648
.A5
2d ser

# XI A.

| | Pages. |
|---|---|
| Report of the Commissioner for the German Railways | 5 |
| Report of the of Commissioner of the Reichsbank | 39 |
| Report of the Commissioner of Controlled Revenues | 59 |
| Report of the Trustee for German Industrial Debentures | 71 |



XIA

# XIX.

# REPORT

## OF THE COMMISSIONER FOR THE GERMAN RAILWAYS

## TO THE REPARATION COMMISSION.

---

**28 OCTOBER 1925.**

---

# REPORT

## OF THE COMMISSIONER FOR THE GERMAN RAILWAYS

## TO THE REPARATION COMMISSION.

---

25 OCTOBER 1923.

---

# TABLE OF CONTENTS.


| | Page. |
|---|---|
| Introduction | 5 |
| Reparation Payments | 6 |
| Transfer of the Preference shares of the Reichsbahn to the Reich | 8 |
| Financial results of the working | 9 |
| General traffic situation | 12 |
| Passenger traffic | 13 |
| Development of passenger rates | 14 |
| Goods traffic | 17 |
| Development of goods rates | 18 |
| Expenditure on staff | 23 |
| Situation of rolling stock | 26 |
| Electrification of the railways | 27 |
| Situation of Permanent Way and Structures | 28 |


## ANNEXES.


Annex I. — Managing Board, Trustee and Commissioner for the German Railways, and General Management of the Reichsbahn.

Annex II. — Diagram of the monthly receipts of the Reichsbahn from January 1, 1924 to September 1, 1925.

Annex III. — Diagram of the tonnages of goods transported, of the ton-kilometres as also of the number of freight cars loaded from January 1, 1924 to September 1, 1925,

Annex IV. — Statistics of passenger traffic for the period April 1924 to March 1925 and Table of passenger tariffs.

Annex V. — Diagram of the passenger fares in different European countries, in 1914 and in 1925.

Annex VI. — Statistics of the goods traffic in 1913, 1922, 1924 and 1925.

Annex VII. — Diagram of the freights of certain goods in different European countries on May 1, 1925.

# TABLE OF CONTENTS.


Introduction ..... 5

Preparation Organs ..... 6
Transfer of the Prehistoric shares of the Reichsbahn to the Reich ..... 8
Financial results of the working ..... 9
General traffic situation ..... 12
Passenger traffic ..... 13
Development of passenger rates ..... 15
Goods traffic ..... 17
Development of goods rates ..... 18
Expenditure on staff ..... 23
Situation of rolling stock ..... 26
Electrification of the railways ..... 27
Situation of Permanent Way and Structures ..... 28


## ANNEXES.


Annex I. — Managing Board, Trustee and Commissioner for the German Railways, and General Management of the Reichsbahn.

Annex II. — Diagram of the monthly receipts of the Reichsbahn from January 1, 1925 to September 1, 1925.

Annex III. — Diagram of the tonnages of goods transported, of the ton-kilometres as also of the number of freight cars loaded from January 1, 1925 to September 1, 1925.

Annex IV. — Statistics of passenger traffic for the period April 1924 to March 1925 and Table of passenger tariffs.

Annex V. — Diagram of the passenger fares in different European countries, in 1913 and in 1925.

Annex VI. — Statistics of the goods traffic in 1913, 1924, 1924 and 1925.

Annex VII. — Diagram of the freights of certain goods in different European countries on May 1, 1925.

October 28, 1925.

# REPORT

# OF THE COMMISSIONER FOR THE GERMAN RAILWAYS

## TO THE REPARATION COMMISSION.

### (FIRST YEAR OF APPLICATION OF THE EXPERTS' PLAN)

The object of the present Report is to explain the results obtained by the Reichsbahngesellschaft during the first year of application of the Experts' Plan, and to indicate at the beginning of the second year, and in the light of the first experimental stage, the conditions in which its operation presents itself in regard to the charges which the German Railway Company will have to meet.

We must at the outset note that during the first year the Company has operated the railway in accordance with the provisions of the Experts' Plan as confirmed by the Law and the Statutes of the Railways. The Commissioner with the aid of his assistants has exercised the control which is conferred on him.

The Managing Board of the Reichsbahn has had to deplore the decease of three of its members, Herr Richard Sarre, Sir William Acworth and Herr Edward Arnhold. Herr Sarre, who died in November 1924, was unhappily only able to take part in the first meeting of the Board. Sir William Acworth and Herr Arnhold who brought to the Board a valuable collaboration, have been greatly missed by all. It will be permitted to me to recall the considerable part which Sir William Acworth had taken in the preparatory work and in the foundation of the Reichsbahn, and to express here to his memory a homage of respect and affection. M. Delacroix, Trustee for the German Railway bonds, has had recourse to Herr Paul Habich and General H. O. Mance to replace Herr Sarre and Sir William Acworth. The German Government has as yet appointed no successor to Herr Arnhold. The Board has elected M. Maurice Margot as Vice-Chairman in the place of Sir William Acworth.

Annex I attached to this Report gives the present membership of the Managing Board and General Management of the Reichsbahn.

In the report we shall observe the following order :

We shall first consider Reparation payments : we shall then give an accouut of the

initial results of the working of the Company and its financial position : we shall then discuss the development of traffic and of railway rates : we shall conclude by giving information regarding the expenditure incurred by the Company for personnel, rolling stock and constructional work.

***

## REPARATION PAYMENTS.

During the first year of the Plan which ended on August 31, 1925, the Reparation payments totalled 1 milliard marks, composed as follows : 200 millions from the bonds of the German Railway Company and 800 millions from the German External Loan.

In fact the new Company only took over the working of the German railways on October 11, 1924, while on November 16, it received the lines previously worked by the Franco-Belgian Regie; it nevertheless assumed responsibility for the whole of the payments due in respect of the first year, to the amount of 200 million gold marks, on condition of having the benefit of the profits on the working to be paid by the Regie for the period subsequent to September 1, 1924.

In consequence on February 28, 1925, the Reichsbahn paid a first instalment of 100 million gold marks to the account of the Agent General for Reparation Payments. The second instalment of the same amount was due under the Plan on September 1; at the request of the Agent General the Company substituted for it two payments, one of 40 million gold marks, less discount at 6 per cent per annum, on July 31, 1925, and the other of 60 million gold marks on August 31, 1925.

The Reparation payments during the second year of the Plan have been fixed at a total of 1,220 million gold marks, made up as follows :

| | |
|---|---|
| 1. Payment by the Reichsbahn for the service of the Reparation bonds | 595 millions. |
| 2. Proceeds from the transport tax | 250 — |
| 3. Payment from the budget of the Reich, which receives in return the proceeds from the sale of the preference shares of the Railway Company | 250 — |
| 4. Interest for six months on the Industrial debentures | 125 — |
| TOTAL | 1,220 millions. |

One sees that the receipts, which come directly or indirectly from the Railways, form a considerable part of the total annuity to be paid for the second year. It appears therefore interesting first to give some explanation of the method of payment of these sums and the special agreement concluded on this subject.

In accordance with Article 8 paragraph 3 of the Statutes of the Reichsbahn, the payments of the Company for the service of the Reparation bonds have to be effected in equal instalments at the end of each half year : March 1, September 1. By an agreement concluded with the Agent General for Reparation Payments, the Company has agreed to substitute monthly payments for these half-yearly payments during the second and third year of the Plan, but with a discount of 6 per cent per annum to the Company for all payments made in advance of the legal dates.

Consequently, subject to discount of 6 per cent per annum, the Company has to pay during the second year for the service of the Reparation bonds :

| | |
|---|---|
| On October 1, 1925 | 50 millions. |
| — November 1, 1925 | 50 — |
| — December 1, 1925 | 50 — |
| — January 1, 1926 | 50 — |
| — February 1, 1926 | 50 — |
| — March 1, 1926 | 50 — |
| — April 1, 1926 | 50 — |
| — May 1, 1926 | 50 — |
| — June 1, 1926 | 50 — |
| — July 1, 1926 | 50 — |
| — August 1, 1926 | 50 — |
| — September 1, 1926 | 45 — |
| TOTAL | 595 millions. |

The proceeds of the transport tax have to be paid to Reparations by monthly instalments, to an amount not exceeding 250,000,000 marks, in the second year in conformity with Article 15 of the Railway Law. Under an agreement concluded recently with the Agent General for Reparation Payments and the Finance Minister, the payments have been settled as follows :

The Company was to pay to the Agent General for Reparation Payments on September 21, 1925, the tax calculated on the basis of the transport receipts of the month of August 1925. Subsequently it must pay on the 21st of each month, April excepted, the tax established on the transports of the preceding month, up to an amount not exceeding the total fixed of 250 million marks.

I may recall that the transport tax is fixed at 7 per cent of the gross receipts from the transport of goods, with the exception of coal, and at a rate varying according to the classes from 10 to 16 per cent on the gross receipts from the transport of passengers excluding certain season tickets for school children and workers.

If one remarks that the proceeds of the tax, which down to September 1, 1925 went to the Reich, have amounted on an average to about 24 millions per month since January 1925, it does not appear doubtful that this tax will amply cover the sum of 250 millions to be paid to Reparations in the second year. I will add that the first monthly payment made on September 1 to the Agent General on the basis of the receipts of the month of August amounted to 27,916,000 Reichsmarks, representing an equivalent of 28,010,776 gold marks, and that the second payment made on October 21 was 25,734,700 Reichsmarks, equivalent to 25,863,240 gold marks.

The third item of the Reparation payments of the second year shows a payment of 250 million gold marks to be made by the Reich, which receives as compensation the proceeds of the sale of a part of the preference shares of the Railways. I shall give an account hereafter of the agreement concluded between the Finance Minister of the Reich and the Reichsbahn on the subject of the Preference Shares. As to the payment of the 250 millions to be made by the Reich to the Agent General for Reparation Payments, it is to be made up of a payment of 30 millions, already made on September 15, 1925, and a payment of 20 millions on the 15th of each following month.

* * *

## TRANSFER OF THE PREFERENCE SHARES OF THE REICHSBAHN TO THE REICH.

In conformity with its statutes, Article 5, the Reichsbahn has to sell in the first two years after the commencement of the concession 1/4 of its preference shares having a nominal value of 500 million gold marks and to transmit the proceeds to the Reich. The proceeds of the sale of the other three quarters of the preference shares will remain with the Reichsbahn for appropriation to its capital expenditure.

In fact the Reichsbahn, in agreement with the Government of the Reich, has considered that in the state of the financial market it was impossible for it up to the present to issue its shares for a considerable amount without agreeing to an unacceptable loss on the issue price and even compromising the future placing of the scrip by depreciating it in advance. It should be remembered that the shares in question give a preference dividend of 7 per cent and that mortgage investments in Germany are being effected at the present time at the rate of about 10 per cent.

For these reasons the Reichsbahn has concluded with the Finance Ministry of the Reich an agreement whereby the Reichsbahn will free itself entirely from the rights which the Reich possesses, by delivering to the latter effectively 500 million marks of preference shares instead of transferring to it the proceeds of the sale of these shares. The dividend of these shares will begin to run from July 1, 1926. The Reich will be

able to keep or sell the shares, and in the latter case it will endeavour to arrive at an agreement with the Company as to the time and conditions of the sale. For its part, the Reichsbahn will retain during 5 years the right of resumption of these shares with a view to proceeding itself to their realisation in accordance with the terms of the Law and of the Statutes of the Railways.

This right of resumption has been stipulated in order to permit the Company to sell its shares on the market as soon as the financial situation permits. It is in effect in conformity with the Plan and altogether desirable to place the shares in future with the public, which will thus be interested in the prosperity of the Reichsbahn.

As we have said, the sale of the three remaining quarters of the Preference Shares, 1,500 millions nominal in value, is to furnish in the future the capital necessary for the expenditure on plant of the Company.

Provisionally, in default of these resources, the Company has to meet its capital expenditure out of its working account which is heavily charged In order o lighten this charge in some degree, the Company, in a second agreement, has just transferred to the Reich, over and above the instalment of 500 million Preference Shares indicated above, a new instalment of these Preference Shares of a nominal value of 124 million marks for a price of 120 millions. This price is paid by way of set-off to an old debt of the Company to the Reich amounting to 82 millions and the balance by a payment in cash of 38 millions.

By this agreement the Reichsbahn discharges a short term debt and procures for itself 38 millions of fresh money to cover a part of its capital expenditure. It remains to be hoped that the Company will be able shortly to place with the public a new instalment of its Preference Shares. The Company should meet its capital expenditure out of these resources and its position would be fortified thereby. On the other hand one would have the great advantage of interesting the public in the prosperity of the Company and of facilitating the placing of the Reparation Bonds which would appear more attractive with the additional guarantee of the shares.

The first working results of which we give an account below show moreover that the payment of the interest of the Reparation bonds as well as of the dividend of the preference shares is well secured up to the present.

* * *

## FINANCIAL RESULTS OF THE WORKING.

The first financial year of the Company has to cover the period from October 1, 1924, to December 31, 1925, i. e., 15 months, and the final accounts will not be drawn up before the Spring of 1926. For this reason we have at present at our disposal only the provisional figures supplied by the Company on the results of the

working during the 11 months elapsed from October 1, 1924, to August 31, 1925. These results may be summarised as follows:

| OPERATING REVENUES. | IN THOUSANDS OF REICHSMARKS. |
|---|---|
| Passengers and luggage | 1,264,971 |
| Goods | 2,491,112 |
| Miscellaneous | 276,967 |
| TOTAL | 4,033,050 |

| OPERATING EXPENSES. | | |
|---|---|---|
| A. *Payments to Staff.* | | |
| Salaries of officials | 935,517 | |
| Wages of employees and workmen of traffic department | 306,833 | |
| Wages of permanent way workmen | 119,032 | |
| Wages of workmen employed in the workshops | 237,029 | |
| Pensions of officials, widows and orphans | 355,931 | |
| Social charges and miscellaneous | 199,948 | |
| TOTAL | 2,154,290 | |
| B. *Payments for Material.* | | |
| Various supplies and working material, coal, etc | 388,427 | |
| Maintenance and renewal of permanent way and structures | 284,603 | |
| Maintenance and renewal of rolling stock | 363,880 | |
| Miscellaneous (taxation, compensation payments, etc) | 76,784 | |
| TOTAL | 1,113,694 | |
| Total of operating expenses | | 3,267,984 |
| Extraordinary expenses | | 268,016 |
| Interest on short-dated debts | | 7,700 |
| Service of Reparation bonds for the first year | | 200,095 (1) |
| GENERAL TOTAL of expenses | | 3,743,895 |
| *SURPLUS of receipts over expenses* | | 289,255 |

(1) The difference between this figure and the sum of 300 million gold marks for which provision is made in the Plan is due to the rate of exchange of the Reichsmark on the dates of payment.

Annex II to this report gives a diagram of the monthly receipts of the Reichsbahn since January 1, 1924, receipts for passengers, goods, miscellaneous and total receipts. The miscellaneous receipts include in particular the payment of the postal transportations, which are estimated for the year 1925 at 80 million marks.

The graphs give an interesting sketch of the progressive development of the receipts of every kind. One should, however, observe that the receipts indicated do not include those of the region of the Ruhr-Rhineland except for the period after November 16, 1924. If one considers the working expenditure properly so-called of 3,267,984,000 marks and the receipts of 4,033,050,000 marks, it appears that the ratio of expenses to revenues has been about 80 per cent — such was precisely the figure contemplated by the Report of the Railway Experts as capable of being realised in Germany, as it has been attained in recent years in other countries.

As we have explained above, it has not yet been possible to place with the public the Preference Shares of the Company. For this reason the extraordinary expenses which relate to the extension of the plant and material of the Company, the great part of which should in consequence be chargeable to Capital account, have been met this year from the operating receipts.

After having covered the extraordinary expenditure of 268,016,000 marks, the interest on the short-term debts of 7,700,000 marks, as well as the Reparation payments of the first year of 200,095,000 marks, there remains a surplus of 289,255,000 marks.

In conformity with the Plan, the Company, after having made the intentionally reduced payments in the first Reparation year, has to place to reserve 130 million marks in order to contribute to the Reparation payments of the second year, which are much higher, 595 million gold marks.

Further, the Reichsbahn has, in accordance with Article 25 of its Statutes, to constitute a reserve fund to cover any future deficits in the working of the Company and to assure the regularity of the service of the interest and sinking fund of the Reparation bonds. There has to be paid to this reserve fund annually 2 per cent of the gross receipts until the fund reaches the maximum of 500 million gold marks. In respect of the receipts of 4,033,050,000 marks realised in the eleven first months of exploitation, the Company has in consequence to place 80 million marks to this legal reserve.

The balance of receipts over expenditure, indicated above, 269 million marks, suffices therefore amply to cover the payment of 130 millions carried forward to the second year and the legal reserve of 80 millions.

As has been already said, a part of the Preference Shares amounting to 624 millions nominal value has been transferred to the Reich, the preference dividend of 7 per cent on these shares will have to be paid from next year.

At present the surplus on the working of the Reichsbahn has gone to swell provisionally the working fund which it received at its commencement from the previous administration and the whole constitutes at the same time a working fund and a reserve for the future. These reserves must necessarily amount to a very important sum to guarantee the regular functioning of so considerable an enterprise, the annual

budget of which is nearly 5 milliards of marks and the expenditure and especially the receipts of which are exposed to great variation.

The available funds of the Company are for the most part deposited with the Verkehrskreditbank at short time. This Bank, a bank of a special character, was founded in 1923 with the object of according to consignors of merchandise credits for the costs of transport; side by side with this branch of activity, the Bank places the funds which are entrusted to it at short time with commercial banks. One should add that the capital of the Verkehrskreditbank, which has just been increased to 4 million marks, belongs up to three quarters to the Reichsbahn.

At the beginning of its operation the Reichsbahn, giving consideration to the weakness of the working fund at its disposal at that time, obtained from a group of American bankers the opening of a credit of 15 million dollars for one year; most fortunately it has not been necessary to have recourse to this credit.

From the figures and explanations above one may conclude that the first results of the working of the Reichsbahn are satisfactory and confirm the estimates of the Experts. Although this working began during a period of very serious economic crisis, the receipts have allowed of meeting expenditure for new constructions and for extensions, which normally should be paid for out of other resources, of covering the Reparation charges of the first year and of constituting in addition the necessary reserves for following years. There is every reason to hope that the receipts will develop when business improves in Germany and that the Reichsbahn will be able with a prudent administration conducted in accordance with commercial rules to assure the service of the Reparation bonds and to pay a dividend on its shares.

On this subject one should not forget that the service of the Reparation bonds, which constitutes at the present time the only capital charge on the Reichsbahn, will after the Reparation year 1927-28 amount at most to 660 million gold marks; and this charge does not appear at all exaggerated if one compares it with the working receipts, which from this year on are estimated at about 4 milliards and a half. The proportion of the capital charges to the working receipts is really heavier in the case of many other railway administrations.

## GENERAL TRAFFIC SITUATION.

Notwithstanding the undeniable economic crisis from which Germany is at present suffering, a crisis which is a consequence of the inflation, the traffic of the railways has already resumed an activity almost comparable to that before the war. There will be found further statistical particulars of this traffic; it follows from them that the tonnage of goods transported is only 9.6 per cent below that of the year 1913, deduction being made of the traffic of the territories ceded in virtue of the Peace Treaty, and that the kilometric tonnage is 10 per cent more, which is due to the increase of the average distance travelled by the goods. As for the number of passengers transported it was already in 1924 greater than in 1923 by 23 per cent.

In regard to the comparison made above between the tonnage of goods transported at the present time and in the year 1913, I should note that I have adopted

for 1913 the tonnage of 399,000,000 tons, which is very different from that furnished by the official statistics of 1913, viz. 565,488,162 tons, not including service goods of the railway. The new figure has been obtained by making two necessary reductions in the tonnage of the official statistics :

1. to eliminate the proportion of the tonnage corresponding to the territory ceded in consequence of the Peace Treaty,

2. to allow for the fact that the German railways in 1913 being divided into several independent railway systems, consignments from one system to the other were entered in the statistics of each system, and consequently counted several times over.

The figure of 399,000,000 tons thus obtained which has been calculated by the Statistical Bureau of the Company represents therefore the tonnage transported in 1913 on a unified system corresponding to the present railway net.

In general all the statistical data of the traffic of 1913 included in the present Report have been calculated by the Statistical Bureau of the Reichsbahn with allowance made for the territory ceded as a consequence of the war. It goes without saying that the corrections thus made can only be approximate.

Annex No. III of the Report gives a graphic representation of the tonnages of goods transported each month, of the ton-kilometres and further of the number of freight cars loaded since January 1, 1924.

These graphs show up the progress made by the traffic which was very active in 1924, particularly during the period from July to November; the economic activity of Germany was then reviving after the monetary collapse, industry and commerce were rapidly regaining strength, under the stimulus of the London Conference and the political and economic agreements which were its consequence.

As from November 1924 the Ruhr-Rhineland railways were handed back to the Company and the accession of its traffic became available to compensate the ordinary falling-off which takes place from December to March.

In 1925 traffic was regularised with much less sensible variations, and it still remains to-day a little inferior to that before the War, as has been said, which is due without doubt to the economic crisis which still persists in Germany.

After these general remarks we think it useful to examine in some detail the present situation of the traffic and specially the development of passenger and goods rates. In view of their influence on the general activity of the country these tariffs are naturally the object of lively discussions among the public, in Germany as elsewhere.

## PASSENGER TRAFFIC.

During the period of the inflation, by reason of the excessively low tariffs, passenger traffic developed enormously in Germany. The number of traveller-kilometres rose from 36,599 millions in 1913 (without the ceded territories) to 73,962 millions in 1922 and 63,157 millions in 1923; i. e. an increase of 102 per cent for 1922 and of 72 per cent for 1923.

As was to be foreseen the stabilisation of the mark and the introduction of gold

tariffs brought a reduction of traffic. In the period from April 1, 1924 to March 31, 1925 the German railways transported 1,951,483,895 passengers against 1,576,900,000 passengers transported in 1913 (without the ceded territories), which corresponds to an increase of 23.7 per cent only. The number of passenger-kilometres rose from 36,599 miliions in 1913 to 44,952 millions in 1924-25, i. e. an increase of 22.8 per cent.

These results seem still very satisfactory, if account is taken of the separation of the Ruhr-Rhineland railways, which were not handed back to the Reichsbahn until November 1924.

Since April 1, 1925, the passenger traffic has continued to develop appreciably and the months of June, July, August have been favourable. To this development of the traffic the measures taken by the Company within the scope of operation tariffs have without doubt contributed. Thus the number of express and omnibus trains has been increased, without, however, attaining pre-war frequency, theirspeed has been accelerated, international relations have been improved, long-distance and high speed express trains with few intermediary stops (*Fern-Schnellzüge*) have been put in service again, and special trains for Sunday and holiday excursions have been introduced.

In the matter of tariffs, reductions have been allowed for journeys of associations, and for emigrants; return tickets which were issued on Sundays in the big cities, are also issued now in many small towns.

On the other hand, the Company was obliged, in order to meet new charges, to proceed to general increases of the passenger tariffs in April and May last; but these do not seem to have reduced the circulation of passengers.

Annex No. IV attached to the present report gives the characteric figures of the traffic during the period April 1924 to March 1925, the most recent period for which the statistics have been drawn up by the Reichsbahn, as also a table of the normal passenger tariffs. These figures give occasion for some interesting notes. One notices a tendency of the passengers to travel in cheaper classes : 58.1 per cent of the passengers are found in the 4th class instead of 50.7 per cent in 1913, the three other classes also showing a diminution. One notes further an increase of journeys at reduced rates which show 34.6 per cent of the total of journey-kilometres instead of 24.1 per cent before the war. These two changes have had, as we shall see, an unfavourable influence on the receipts of the railway.

The average distance travelled by passengers as a whole has not changed : 23 kil. 03 against 23 kil. 21 before the war.

## DEVELOPMENT OF PASSENGER RATES.

The gold tariffs were introduced on November 1, 1923 : the rates of 3rd and 4th class which yield about 85 per cent of the total receipts were then increased by 10 per cent (including tax) in comparison with the pre-war prices, while for 1st and 2nd class the increase was 183 and 120 per cent. The result of this excessive super-taxation of the higher classes was a general tendency of passengers to travel in

cheaper classes. These tariffs could not be maintained, they were adjusted for the first time on December 1, 1923, and later replaced on March 1, 1924 by tariffs which were in force until May 1, 1925. At this date, with a view to meeting an increase of expenditure on staff of the Company, the passenger rates had to be raised by 10 per cent.

The increase in passenger fares at normal tariffs compared with the rates of 1913 is as follows (tax included):

| | MARCH 1, 1924. | MAY 1, 1925. |
|---|---|---|
| 1st Class..... | 23 per cent. | 38 per cent. |
| 2nd — ..... | 40 — | 59 — |
| 3rd — ..... | 47 — | 62 — |
| 4th — ..... | 50 — | 65 — |

Allowance being made for the distribution of passengers among the various classes, the average increase borne by the passenger on the full tariff appears to be 48 per cent on March 1, 1924 and 63 per cent on May 1, 1925

But having regard to the tendency to travel in cheaper classes which has supervened since the war, the average receipts per passenger-kilometre on the full tariff, tax not included, rose only by 24 per cent on March 1, 1924 and 38 per cent on May 1, 1925.

The system of tariffs for journeys at reduced rate, season tickets, return tickets, etc., has been more developed than in the period before the war, especially with a view to facilitating the movements of the less well-to-do classes of the population. Thus there have been introduced monthly 4th class season tickets, 4th class season tickets for school-children, weekly 4th class season tickets and three-day season tickets for workers. Further, there have been inaugurated return tickets for school-children and 4th class return tickets for Sunday. Other concessions such as those granted in 1913 for journeys by young persons and associations, have since been applied generally.

In consequence the proportion of journeys at reduced rates increased seriously as was indicated above, and the average receipts per traveller-kilometre at reduced rates fell from 1.28 pfennigs in 1913 to 1.09 pfennigs in 1924-25, i. e. a diminution of 14.8 per cent. As we have seen, the average kilometric receipts from the travellers at normal tariffs increased in comparison with 1913 by 24 per cent on March 1, 1924; on the other hand the receipts from travellers at reduced rates fell by 14.8 per cent, reducing thus considerably the advantage due to the increase of the normal tariffs. Altogether, as shown by the statistics given by Annex IV, the average receipts per passenger-kilometre of every kind, at full or at reduced rates, rose from 2.36 pfennigs in 1913 to 2.56 pfennigs in 1924-25, i. e. an increase of 8.5. per cent only. Including luggage the receipts per passenger-kilometre rose as from 2.47 pfennigs to 2.65, i. e. an increase of 7.28 per cent only.

These increases appeared to be insufficient, the moree wages in Germany havas risen since 1924. On April 1, 1925, on the occasion of an increase of wages

of the railway-workmen which involved a new charge for the Company of 36 million marks, it was decided to increase the monthly and weekly season tickets by 25 per cent and the suburban season tickets in Berlin and Hamburg by 33 per cent. Finally, on May 1, an increase of 10 per cent was applied to the reduced tariffs at the same time as to the normal tariffs, with the exception of the suburban season tickets in Berlin and Hamburg.

As a consequence of the increase of April 1, 1925 of the reduced tariffs and of the general increase of tariffs on May 1, 1925, it is thought that the receipts per passenger-kilometre must amount to 2.88 pf. and, if luggage is included to 2.98 pfennig, tax not included, which gives an increase of 20.6 per cent in comparaison with 1913.

From what precedes, it does not appear that passenger tariffs as a whole are too high in Germany, regard being had to the cost of living. In fact, the receipts per passenger-kilometre for the whole of the traffic have risen by 21 per cent approximately since 1913; the tax on the transport of passengers may be estimated on an average at 11.5 per cent, whereas it was before the war on an average about 2.5 per cent. As a whole, one can therefore say that the average price paid by the passenger has increased by 30 per cent, that is to say less than the index of the cost of living which attained in August last 145 against 100 in 1913.

On the other hand, if one considers the increases introduced since 1914 relating to passenger fares at normal tariffs, without the supplement for express trains in Germany and in the other countries of Europe with currency at a high rate of exchange, one finds the following results, if one considers the situation at the date of May, 1925:

INCREASE OF PASSENGER FARES PER 100 KILOMETRES.

| | 1st Class. | 2nd Class. | 3rd Class. |
|---|---|---|---|
| Germany..... | 38 per cent. | 59 per cent. | 62 per cent. |
| Sweden..... | 177 — | 131 — | 131 — |
| Holland..... | 99 — | 99 — | 97 — |
| England..... | 23 — | 58 — | 48 — |
| Switzerland..... | 44 — | 43 — | 44 — |

The larger increase which one notes in the case of Sweden and Holland is explained by the fact that the passenger tariffs of these countries were before the war sensibly lower than those of the other countries.

The diagrams shown by Annex V of the report permit of a more complete comparison between the passenger fares before and after the war in the various States; it must not be forgotten in this comparison that in Germany the 1st class is scarcely used at all, there being three first class passengers per 10,000, and that there exists a 4th class at very reduced rates which is much frequented, there being 5814 4th class passengers per 10,000, whereas 4th class does not exist in the other countries.

## GOODS TRAFFIC.

The tonnage transported by the German railways has varied very appreciably in the post-war period following the fluctuations of the economic life of the country. Annex No VI of the Report gives the principal figures of the statistics drawn up by Reichsbahn for the goods traffic of the six first months of the year 1925 compared with the figures of the years 1924, 1922 and 1913.

In 1922-23, economic activity being greatly stimulated by the progressive depreciation of the mark, the tonnage transported had attained a maximum of 385 million tons, which was only 3.5 per cent below the tonnage of 1913, and the kilometric tonnage amounted to 62,550 millions, 20 per cent more than that of 1913. This favourable traffic situation was modified in 1923 as a result of the occupation of the Rhur and the monetary collapse.

In 1924, the first year of the stabilisation of the mark, the Germain railways transported 267,970,000 tons, which represents a diminution of 32.8 per cent in comparison with the tonnage of 1913, which may be estimated, without the ceded territories, at about 399 million tons. The results of the year 1924 have been naturally influenced by the separation of the the Ruhr-Rhineland railways, which serve the most important region of German production.

In the six first months of 1925, the tonnage transported attained an average of 30,062,000 tons per month, which represents a diminution of 9.6 only in comparison with the monthly average of 1913. In the period January-June 1924, the average tonnage carried was 19,413,000 tons per month, the corresponding increase of tonnage transported in 1925 being thus 54.9 per cent.

If we consider now the ton-kilometre, which is the true unit of traffic and of receipts, we find in 1924 a number of ton-kilometres equal to 41,227 millions, which represents a diminution of 19.8 per cent in comparison with the kilometric tonnage of 1913, which may be estimated, without the ceded territories, at 51,429 millions (service transport not included).

In the period January-June 1925, there was an average of 4,716 million ton-kilometres per month being an increase of 49.7 per cent in comparison with the corresponding period in 1924 and surpassing also by 10 per cent approximately the kilometric tonnage attained in 1913.

If, as we have said above, the tonnage transported is at the present time a little below that of 1913, on the other hand the number of ton-kilometres is greater. This fact is due to the increase in the average distance travelled by goods in comparison with 1913; this distance was, in 1913, 129 kilometres; in 1924, 153.8 kilometres, and for the period January-June 1925, 156.9 kilometres. The increase in the average distance travelled by goods, which has taken place since the war, has been due to modifications in the streams of traffic particularly in so far as the supply of raw materials is concerned and also doubtless to the introduction in 1920 of the railway rates graduated on a scale decreasing with the distance, which rendered possible the transport over long distances of materials of low value. It is clear that a diminution of the average distance travelled by

goods might have a regrettable consequence on the situation of the receipts; it would therefore not be opportune at the present time to make modifications in the tariff system which might lead to a diminution of long distance traffic.

It appears interesting to give below the distribution of traffic classified by internal traffic, foreign traffic and transit traffic :

| | MONTHLY AVERAGE IN 1913 (in 1,000 tons) [1]. | PER CENT OF TOTAL. | MONTHLY AVERAGE JAN-JUNE 1925 (in 1,000 tons). | PER CEN OF TOTAL. |
|---|---|---|---|---|
| 1. Internal traffic | 35,748 | 85.60 | 24,677 | 82.09 |
| 2. Foreign traffic : | | | | |
| *a*. Exports | 3,999 | 9.58 | 2,462 | 8.79 |
| *b*. Imports | 1,938 | 4.64 | 2,692 | 8.95 |
| 3. Transit | 74 | 0.18 | 51 | 0.17 |
| TOTAL | 41,759 | 100.00 | 30,062 | 100.00 |

(1) Including the traffic of the ceded territories.

Coal transports constitute, it is said, the spinal cord of German traffic : in 1913, they made up 39.8 per cent of the total tonnage of goods and in the first five months of 1925, 37.2 per cent. We may add that in this transport lignite which yielded 19 per cent of the total in 1913 furnishes to-day 34 per cent of the total of coal transports.

Perusal of the foregoing statistical figures shows that the situation of the goods traffic, without being brilliant, is as satisfactory as one can expect in a period of economic stagnation.

Before passing to the study of tariff questions, we should say that the Company has endeavoured to improve the organisation of traffic, in such a manner as to develop traffic and to contend against the very active competition which it encounters on the part of the automobile services on the roads in certain regions namely in the Ruhr and Rhineland. The speed of goods trains has been accelerated and brought up from 30 to 40 kilometres on all the main lines. High speed goods trains, consisting of 90 axles, whose speed has been brought up to 50 to 60 kilometres, circulate between the big centres permitting of the delivery of goods the day following their consignment, and that between distant cities such as Berlin, Cologne, Hamburg, etc.

## DEVELOPMENT OF GOODS RATES.

In November 1923 the railways of the Reich decided to apply gold tariffs about twice as high as those before the war (including the tax of 7 per cent). But since the month of January 1924 the administration, desirous of favouring the economic revival of the country and struck by the crisis following on the monetary stabilisa-

tion, put a large number of exceptional tariffs again in force and granted the following reductions applicable generally :

Reduction of 8 per cent on January 20, 1924;
Reduction of 10 per cent on March 1, 1924;
Reduction of 10 per cent on September 18, 1924

At the last named date the increase per weight applying to goods transported in closed freight cars was reduced from 10 to 5 per cent.

Since the constitution of the Company the normal tariffs have no longer been modified, but numerous reductions have been accorded as regard the exceptional tariffs. The importance of these reductions may be measured by the fact that, in the month of March 1925 for example, the exceptional tariffs applied to 38.6 per cent of the total receipts of goods traffic, to 58.2 per cent of the total tonnage and to 56.3 per cent of the ton-kilometres. I will resume below briefly the most important modifications made in the exceptional tariffs.

With a view to increasing the markets for German coal in the regions of the North Sea and Baltic littoral, there were put in force on May 5, 1925 two exceptional tariffs AT6 e and AT6 f for coal from the Ruhr and from Upper Silesia destined for these regions. These tariffs accord reductions ranging up to 28 and 22 per cent in comparison with the rates of the general coal tariff. They have been allowed against the guarantee of a fixed minimum tonnage, the guarantee being given by the Syndicates of the Ruhr and Silesia. As regards coal a further reduction of 10 per cent was granted on April 1, 1925 on the tariff AT6 a for the transport of Ruhr coal to the Siegerland, an industrial region which finds itself at a disadvantage owing to its distance from the coalfield and difficulties in the extraction of iron ore. There were also granted exceptional tariffs to favour the industry of shipbuilding, for the transport of graphite from Bavaria, for the iron ores of Upper Silesia as also transshipment tariffs for the ports of the Danube.

In part compensation for the loss of receipts due to the above mentioned reductions, the Company has increased by approximately 30 per cent from August 1, 1925, the rates of the tariffs for transport of stone to be used for the construction of roads and waterways.

The tariffs for the seaports designed to favour imports and exports had been suppressed at the close of the war, but they were put in force again at the beginning of 1924. These tariffs have not been subjected to the general reductions decided on in March and September 1924 and their efficiency from the point of view of the competition of foreign ports has been found to be reduced by the fall in certain foreign currencies. For these reasons, in the year 1925, the Reichsbahn modified all its tariffs for the seaports largely reducing the rates and applying them to new goods classes. These measures have favoured the German ports in their competition with the Belgian and Dutch ports as also with the port of Triest. It is generally known indeed that since January 10, 1925, the provisions of Article 325 of the Treaty of Versailles cease to be in force, the Allied Powers no longer being able to

claim for their ports the tariff reductions existing for the German ports. The efficiency of the latest reductions is shown by the fact that the tonnage transported under the special tariffs of the ports rose from 227,108 tons in July 1924 to 423,811 tons in the month of July 1925. It is true that this increase must be attributed to a very large extent to the resumption of the railways of the Ruhr-Rhineland.

Quite recently, in order to assist the action of the Government to combat the cost of living, the Company has granted an exceptional reduction of 10 per cent on the tariffs for foodstuffs, which reduction is in force from October 1 to December 31, 1925.

During the past year, the German railways have made serious efforts with a view to increasing transit traffic. To this end the transit tariffs have been subject to big reductions and they have been continually modified to adapt them selves to the conditions of the competition on the foreign lines of communication surrounding Germany.

The success of this tariff policy of the Company appears to be shown by the progressive increase of the transit tonnage, which rose from 28,000 tons in the month of November 1924 to 57,900 tons in the month of June 1925.

In this connection however it is necessary to watch for excessive reductions of tariffs leading the Company to transport at rates below the cost price, or again merely having the effect of inducing neighbouring railways to grant similar reductions involving finally a loss for the two competing lines.

Since its constitution, the Company has endeavoured to establish direct tariffs with foreign countries with a view to facilitating international traffic. Thus there has been established a direct tariff between Czecho-Slovakia and the German ports, other direct tariffs have been concluded with Holland, the Scandinavian countries, Russia and the Baltic States and negotiations are proceeding to establish direct tariffs with Poland, Austria, Hungary, Italy and Czecho-Slovakia.

To resume one may distinguish two periods in the development of the tariff policy of the German railways since the stabilisation of the mark. In the first period which runs to the month of October 1924, successive and important reductions of the tariffs of the normal classes and of the exceptional tariffs have been accorded. The importance of the reductions is shown by the fact that the average receipts per ton-kilometre fell from 6.51 pf. in January 1924 to 4.74 pf. in October 1924.

Since then, the Company, far from following a tariff policy which takes consideration of nothing but the Reparation charges, has endeavoured to proceed with a policy favourable to the economy of the country by granting the reductions of exceptional tariffs of which we have spoken above, attempting at the same time to increase its traffic by competitive tariffs. At the same time it has wisely abstained from having recourse to general reductions of tariffs which would expose it to considerable losses of receipts. In fact, the average receipts per ton-kilometre have not diminished since the month of October 1924 (4.74 pf. in October 1924, 4.79 pf. in June 1925).

The increase in the transport rates of the normal classes in comparison

with 1913 is at present as follows per distance of 200 kilometres (taking the ratio 1 for 1913).

GOODS IN SMALL CONSIGNMENTS :

| | |
|---|---|
| General class | 1.59 |
| Reduced class | 1.59 |

GOODS CONSIGNED IN COMPLETE FREIGHT CAR LOADS :

| | |
|---|---|
| Class A | 1.82 |
| — B | 1.53 |
| — C | 1.63 |
| — D | 1.60 |
| — E | 1.48 |
| F | 1.21 |

If one takes into account the distribution of the kilometric tonnage of the goods between the classes, the average increase in the prices of transport of the normal classes including the tax, is equal to 48 per cent. But on the other hand, the goods at exceptional tariff rates supply 57.8 per cent of the total kilometric tonnage and these exceptional tariffs have been increased on an average by 33 per cent only in comparison with 1913; it follows that on the total the average increase of the goods tariffs is 42 per cent. This result is shown by the traffic statistics for the period January-March 1925 summarised below :

| | 1913. | | JANUARY-MARCH 1925. | | |
|---|---|---|---|---|---|
| | TON-KILOMETRE. | RECEIPTS PER TON-KILOMETRE. IN PFENNIGS. | TON-KILOMETRE. | RECEIPTS PER TON-KILOMETRE. IN PFENNIGS. | INCREASE AS COMPARED WITH 1913. |
| | per cent of total. | | per cent of total. | | |
| Normal classes | 41.9 | 4.96 | 42.2 | 7.35 | 48 % |
| Exceptional tariffs | 58.1 | 2.52 | 57.8 | 3.34 | 33 % |
| TOTAL : | | | | | |
| Including the tax | 100 | 3.54 | 100 | 5.03 | 42.1 |
| Without the tax | – | 3.54 | – | 4.76 | 34.5 |

The figures of the above table do not include service traffic, transports of livestock and military transport.

To sum up, the public is paying at present, tax included, per ton-kilometre an average rate 42 per cent more than that of 1913 and the railways for their part are

finding their receipts per ton-kilometre increased by 34.5 per cent. If one considers that the index of wholesale prices in Germany was 131.7 in the month of August and the index of the cost of living 145, one may accordingly note that the violent criticisms which are put forward from time to time against the increase of the goods tariffs in Germany are not justified.

On the contrary one may say that the Company while maintaining the tariffs of the normal classes at the level necessary to meet its expenditure, has endeavoured on the other hand to assist the national economy by the concession of numerous largely reduced tariffs for the import of certain raw material, for the transport of coal, ores, fertilisers, for the export of manufactured products and also to favour the development of the German ports.

Further, by the introduction of the differential tariffs which dates back to the year 1920, transports have been facilitated, namely the transport of raw materials consigned for remote regions the geographic situation of which is economically unfavourable, such as Bavaria or East Prussia, but it is true that transports over short distances in the Ruhr and in Saxony have found themselves at a disadvantage and that the competition of automobile transport has been facilitated thereby.

With a view to attempting to satisfy certain wishes of Germany economy, the Reichsbahn has recently appointed a Commission dealing with the study of a revision of the tariff system, which is a study of great delicacy which should evidently be conducted without losing sight of the legitimate interests of the railway.

In Annex No. VII of the Report, we have presented the comparative graphs of the transport rates in Germany and abroad for certain of the most important goods (which graphs are drawn up in accordance with the figures furnished by the Service of the Reichsbahn). For a distance of 100 kilometres, for example, the transport rate in pfennigs per ton-kilometre in Germany and in other countries with stabilised currency is found to be as follows :

| | GERMANY. | SWEDEN. | SWITZERLAND. | HOLLAND. |
|---|---|---|---|---|
| Coal | 4.1 | 5.8 | 10.7 | 5.7 |
| Round timber | 6.2 | 5.8 | 6.5 | 5.9 |
| Wheat | 8.6 | 10.4 | 19.7 | 5.9 |
| Machine Tools | 13.5 | 13.8 | 19.7 | 10.2 |
| Iron ores | 3.5 | 4.6 | 13.0 | 7.3 |
| Cement | 4.9 | 5.8 | 10.7 | 5.4 |
| Paving stones | 2.4 | 5.3 | 6.7 | 5.4 |
| Potash at 42 % | 2.6 | 5.8 | 9.6 | 4.6 |
| Rails | 7.6 | 6.7 | 17.4 | 10.2 |
| Cotton | 13.5 | 22.6 | 19.7 | 11.9 |

It follows from this table that the German goods tariffs are at present as a whole below those of the other countries taken into consideration.

## EXPENDITURE ON STAFF.

Expenditure on staff constitutes a considerable part of the working expenditure of the railways, and the charges in respect of staff of the Reichsbahn amount in fact for the period from October 1, 1924 to the end of August 1925 to 2,154 millons as opposed to material expenditure amounting to 1,113 millions; the first figure represents 66 per cent and the second figure 34 per cent of the total, whereas before the war the proportions were 61.2 per cent and 38.8 per cent.

Since December 12, 1923, the date on which wages were fixed in gold, they have been increased successively for the functionaries (*Beamten*) of the railways as follows :

| | |
|---|---|
| April 1, 1924..... | 21 per cent |
| June 1, 1924..... | 23 — |
| November 15, 1924..... | 11 — |
| April 1, 1925..... | Increase of 10 per cent residence allowances. |

The wages of the Company's workmen have been increased similarly, the last general increase effected on March 15, 1925 being 3 pfennigs per hour.

More recently, on September1, the Company made certain readjustments in the fixing of the residence allowances and the bonuses accorded to the workers, which has involved an annual increase of expenditure of 27 million marks. It seems however that these measures have not sufficed to satisfy the workers who are still clamouring for further increases of salary.

As a whole the present wages of the staff in comparison with those before the war appear to have been increased in a rather higher proportion than the rise in the cost of living.

This situation is moreover not exceptional and exists in the majority of other countries; but the German railways are exposed to a peculiarly heavy charge for pensions, which is due to the policy followed since the war in respect of staff, which policy I shall summarise below.

The staff of the German railways is divided into two main categories : officials or functionaries (*Beamten*) and workers (*Arbeiter*), the latter paid weekly, and subject to a collective wage agreement and to economic fluctuation and in particular liable to dismissal, the former benefiting by Regulations of Staff which assure to them with regular advancement and rights on retirement a stable position. The Reichsbahn employs also a very small number of employees whose position is intermediary between that of the functionary and that of the worker.

In 1913 the railways of the German States, deduction being made of the territories ceded by Germany in virtue of the Peace Treaty, employed 263,887 functionaries, 428,827 workers and employees, *i. e.*, total 692,714.

In 1919 the railways, obliged to absorb the soldiers on their demobilisation and transformed accordingly into a gigantic philanthropic concern, had in their service 1,121 745 persons. This maximum figure was slightly reduced in the years follow-

ing, but included still on October 1, 1923 1,009,420 persons of whom 425,908 were functionaries, 917 employees and 582,595 workmen. At this date the financial situation of the Reich having become desperate made it essential to proceed without delay to a much stronger reduction of staff.

On October 27, 1923, the Government promulgated accordingly a special decree, called Abbau Decree, on the reduction of staff in virtue of the full powers which had been conferred on October 13, 1923 by the Ermächtigungsgesetz. The general programme of dismissal affected all the functionaries of the Reich, the States and the Communes; it was applicable directly to the functionaries and employees of the railways and indirectly to their workers, suspending provisionally in the case of the latter the powers of the Workers' Councils which hampered their dismissal.

The employees were to be dismissed after notice of one month and received an indemnity for dismissal.

For the functionaries the decree contemplated a reduction of 25 per cent in the effectives existing on October 1, 1923. The reduction could be effected either by voluntary resignation or by dismissal, according to the conditions of age or length of service.

The functionaries thus resigning or dismissed received, according to their age or their seniority of service, either a retiring pension, or a retaining salary, or lastly an indemnity for dismissal.

The retiring pension is granted to functionaries having at least 58 years of age and 10 years of service. It varies from 35 per cent to 80 per cent of the active salary.

The retaining salary is granted to functionaries having at least 10 years of service without being 58 years of age. It increases from 40 to 80 per cent of the salary according to the years of service and is paid until the age of retirement of the functionary or until the moment when he can be taken back into service.

Lastly functionaries not having 10 years of service receive an indemnity for dismissal varying from one to eight months of salary according to the length of service.

The application of the decree of Abbau has been followed up rigorously and has permitted of a considerable reduction of staff. On January 1, 1925, the staff had already been reduced to 749,275 persons of whom 339,138 were functionaries and 410,135 workers.

The Company continued its efforts; and in August 1925 its staff consisted of 727,429 persons, including 328,634 functionaries and 398,795 workers. The last figure includes 35,900 "auxiliaries" (temporary workmen) recruited for the summer when the permanent way works are more important and 5,300 apprentices in the workshops.

This staff is still larger than that before the war; but one must not forget various circumstances which in Germany as in other countries justify this increase; working class legislation, employment of a large number of disabled soldiers, shorter working hours.

The enormous reduction to which the German railways have had to proceed has enabled them to realise an economy of 20 per cent on their expenditure for staff. It was above all advantageous for the Company in so far as were concerned the employees and workers who received only a modest indemnity, whereas the dismissal

of the functionaries involved heavy charges with the payment of the pensions or retaining salaries.

In the case of the workers of whom 34 per cent had been dismissed, there has been attained an economy of 32 per cent. In the case of the functionaries of whom 22 per cent have been dismissed the economy realised has been only 8 per cent. Side by side with 329,000 functionaries in active employ the Company has now at its charge 230,000 pensioned functionaries, or functionaries with retaining salary or widows or orphans with pensions. For 1.5 functionaries in active employ there is therefore one pensioner.

It is for this reason that, in the table of the results of working of the first eleven months given above, there is shown side by side with an expenditure of 935 millions for salaries of functionaries, an expenditure of nearly 356 millions for pensions, *i. e.*, 38 per cent of the wages.

Before the war, when the expenditure for salaries of functionaries amounted to 586 millions, that for pensions was 98 millions, *i e.*, 17 per cent of the salaries.

To sum up, the considerable dismissal of personnel has not yielded the financial results expected, by reason of the considerable charge for pensions. This surplus charge will only diminish very slowly since the pensioners and officials not on active service and drawing a reduced pay are entitled to keep their pensions or salaries for life.

In the course of recent months one has heard formulated from various sides, on the part of the trade unions and workers' associations as well as on the part of heavy industry, the idea that a part of the burden of pensions more properly belongs to the Reich than to the Company.

If, it is said, the German railways were obliged after the war to engage an excess of staff, it is not on the Company that it should devolve to cover entirely this expenditure. The Reich has compelled the railways to exaggerate their effectives by enrolling a large number of demobilised persons; in equity, the charge of a political character which results therefrom devolves upon it; it should meet the pensions for the Abbau.

An entirely analagous situation presented itself in Austria, where they were compelled to reduce the staff to the railways from 134,000 to 89,000; the result was an enormous burden of pensions. The Government took over a large part of it, at the time of conceding the autonomy to the railways, with a view to allowing of a rational and economical exploitation without surcharging the economy of the country with too high tariffs.

In the case of the German railways an expenditure of 400 millions for pensions is contemplated for twelve months; if the Reich undertook the half of the expenditure, it would be possible with the economy realised to improve the wages of the personnel, or to reduce by 8 per cent all the goods tariffs, or to reduce certain of them by a larger percentage and one which would do more to promote the economic development of the country.

## SITUATION OF ROLLING STOCK.

On October 1, 1924, there existed 29, 645 steam locomotives of which 269 were narrow gauge. In August 1925 the Company did not possess more than 28,193 loco motives, by reason of striking off of items in the inventory

Before the war there were scrapped an average of 600 locomotives a year. This number fell greatly during the hostilities, but in compensation a great effort has been made since the war, and in this way 1,849 locomotives have been scrapped in 1921, 1,585 in 1922 and 1,500 in 1923. The orders placed for ten years past have increased the number of engines which is now greater by 11.1 per cent than that before the war deduction being made of the territories ceded, the power of the new engines being moreover much superior to that of the old ones. It is fitting to note that these old engines coming from the formerly autonomous railways of the German States comprise a large number of different types, which renders repairs lengthier and costlier; the Company is to day endeavouring to unify its park and to standardise its spare parts.

Apart from piston engines, the Company has interested itself in special types of steam engines with which it is hoped to realise a great saving of coal : locomotives with very high pressure (60 atmospheres), turbine locomotives, and Diesel locomotives. Some specimens of the special engines have been ordered and their service trials will be undertaken towards the end of this year.

The rolling stock comprised on October 1, 1924 :

67,550 passenger cars for normal gauge;
949 passenger cars for narrow gauge;
22,849 baggage cars for normal gauge;
176 baggage cars for narrow gauge;
700,142 freight cars for normal gauge,
7,164 freight cars for narrow gauge.

These figures represent an increase of 17 per cent for passenger cars and 26 per cent for freight cars in comparison with the situation before the war. But it must be remarked that if the total of goods transported by the Reichsbahn is today a little less, 7 per cent less, than that before the war, the kilometric tonnage has increased by 10 per cent and at the same time the period of journey of the freight cars, which was 3.7 days in 1913, has increased at the present time to about 4.5 days.

Generally speaking one can say that the effectives of rolling stock are more than sufficient to cope with the traffic, particularly in view of the present economic crisis, and this is true alike for the locomotives and for the freight cars. Further the Company appears to have been well advised in limiting to the strict minimum the orders for locomotives and freight cars, the more so as on October 1, 1924 there still remained to be received 280 locomotives due on previous orders.

The fitting of the Kunze-Knorr compressed air brake to the freight cars has been carried on actively. This step had been decided on during the war, with a view to

liberating a large number of persons in charge of the hand brakes and to accelerating the goods trains, in particular the military trains.

At present more than 97 per cent of the freight cars are fitted with the Kunze-Knorr brake, 45 per cent of them having the brake apparatus and 55 per cent only the intercommunicating connections. When all the rolling stock has been fitted, at latest by April 1, 1926, the number of brakesmen will be able to be reduced by 30,000, but the saving of staff which will result therefrom will only be about 25,000 by reason of the supplementary work devolving on the station staffs; we may add that this economy is already realised for the main part.

Thanks to the continuous brake, the service of goods trains has been able to be appreciably improved, by accelerating from 30 to 40 kilometres the speed of these trains on almost all the big lines and by increasing from 50 to 60 kilometres the speed of fast goods trains. The gain in time thus realised in the transport of goods has been still further increased by the reduction of the stoppages imposed upon goods trains for the passage of expresses; the result is a better use of the rolling stock and staff and a more complete utilisation of the capacity of the railways.

## ELECTRIFICATION OF THE RAILWAYS.

On January 1, 1925, the total length of railway lines adapted to electric traction was 652.9 kilometres made up as follows :

MAIN LINES.

| | |
|---|---|
| Silesian mountain railway lines (Görlitz to Königszelt and branch lines to Grünthal, Liebau and Halbstadt). | 261 km. 3 |
| Central German lignite basin lines (Magdeburg-Bitterfeld-Leipzig-Halle and Wahren-Engelsdorf)..... | 173 km. 1 |
| Bavarian lines (Mittenwald line and branch lines to Griesen-Salzburg-Freilassing and the Königssee)... | 94 km. 2 |
| Baden lines (Wiesenthal line, between Basle and Zell, and Wehrathal line, between Säckingen and Schöpfheim)..... | 55 km. 0 |

URBAN AND SUBURBAN LINES.

| | |
|---|---|
| Berlin Suburban..... | 37 km. 0 |
| Hamburg suburban (Blankenese-Hamburg-Poppenbüttel)..... | 32 km. 3 |
| TOTAL..... | 652 km. 9 |

During the year 1925 the work of adaptation for electric traction continued on the following lines :

a. *Bavaria :*

| | |
|---|---|
| Munich-Garmisch Partenkirchen with branch line from Tutzing to Kochel | 136 km. 1 |
| Munich-Herrsching | 38 km. 3 |
| Munich-Ratisbon | 138 km. 1 |
| b. *District of Magdeburg :* Magdeburg Hauptbahnhof to Magdeburg Rothensee (shunting yard) | 5 km. 9 |
| c. *Berlin Suburban* | 26 km. 2 |
| TOTAL | 344 km. 6 |

It follows that these works once terminated the length of the electrified lines will be brought up to 997.5 km. At the end of August 1925, the lines worked by electricity had a total length of 860.9 kilometres.

The credits for the work of electrification in the financial year 1925 amount to 20,697,000 marks and it is thought that there will remain subsequent expenditure of 51,665,000 marks to complete this programme. Apart from these lines the financial situation of the Company does not permit of further commitments for new work on electrification on the main lines or the suburban lines in Berlin at present.

For the operation of the electrified lines the Reichsbahn possessed 152 electric locomotives and 250 self-propelling cars on January 1, 1925. There remained under construction 175 locomotives and 107 self-propelling cars. The Company employs on almost all its lines the single-phase current with a frequency of 16 2/3 periods per second, under a tension of 15,000 volts.

## SITUATION OF PERMANENT WAY AND STRUCTURES.

At the end of August 1925, the total length of the lines operated by the Reichsbahn was 53,210 kilometres, of which 52,268 kilometres were normal gauge and 942 kilometres narrow gauge.

Expenditure on maintenance and renewal of these tracks had had to be reduced for ten years past; in fact, down to 1915, there were being renewed each year about 5 per cent of the length of the main tracks (rails, sleepers and small permanent way fittings) since when it had not been possible to renew an annual average of more than 2,8 per cent. Regard being had to the improvements made in the types of tracks, the Company has decided to fix for the future at 4 per cent the proportion of tracks to be renewed annually.

The old autonomous railway systems of the German States each had different types of rails, of laying-out tracks and points, which involved complication and unnecessary expenses of maintenance. Standardisation was indicated; the Company

proceeded to effect it by classifying its lines in three categories with regard to the superstructure; it adopted two types of rails with a weight of 48.79 kilograms and 45.25 kilograms per metre of track, which appear amply sufficient for the charges to be anticipated in the present and near future.

A very important credit (93.7 million marks for the 12 months of 1925) has been set aside for the repair and renewal of bridges, arches, station halls, etc., the upkeep of which had been necessarily neglected since the war.

In the aggregate the credits accorded for the calendar year 1925, with a view to the maintenance and renewal of the permanent way, constructive work, safety appliances, including corresponding expenditure on staff, are 56 per cent larger than the expenditure incurred in 1913 for the same purposes, which shows that the Company has not hesitated to make the necessary effort for the maintenance in good repair of its lines, despite its legitimate desire for economy.

On account of capital expenditure, the Company has set aside for the whole of the year 1925 (15 months) a credit of 370 million marks, including 35 millions for the installation of the Kunze-Knorr brake on the rolling stock and 335 millions for expenses on construction of all kinds.

Amongst the last mentioned expenses we may note :

35 millions for the reinforcement of bridges in view of the heavier loads to which they have to resist;

23 millions for the construction of workmen's dwelling houses;

the balance for new works such as construction of new lines, doubling or quadrupling of tracks, electrification of lines, enlargement or rearrangement of workshops and stations. All these new works form part of a vast programme of construction; it is anticipated that the expenditure necessary after January 1, 1926, will amount to 1,220,000,000 marks.

The execution of this programme will be continued account being had to the capital resources which the Reichsbahn can procure.

Signed : GASTON LEVERVE.

# ANNEXES.

# ANNEX I.

## MANAGING BOARD

## OF THE GERMAN RAILWAY COMPANY.

Messrs. C. F. von Siemens, Chairman.
C. Stieler, vice-Chairman.
M. Margot, vice-Chairman.
von Batocki.
C. Bergmann.
G. Bianchini.
O. Blum.
Buck.
D. Fischer.
P. Habich.
V. von Hertel.
J. Jadot.
P. Kloekner.
H. O. Mange.
O. von Miller.
H. Muenchmeyer.
Ott.
N...

*Trustee for the bonds of the Deutsche Reichsbahn Gesellschaft :*
M. L. Delacroix.

*Commissioner for the Deutsche Reichsbahn Gesellschaft :*
M. G. Leverve.

## GENERAL MANAGEMENT

## OF THE DEUTSCHE REICHSBAHN GESELLSCHAFT.

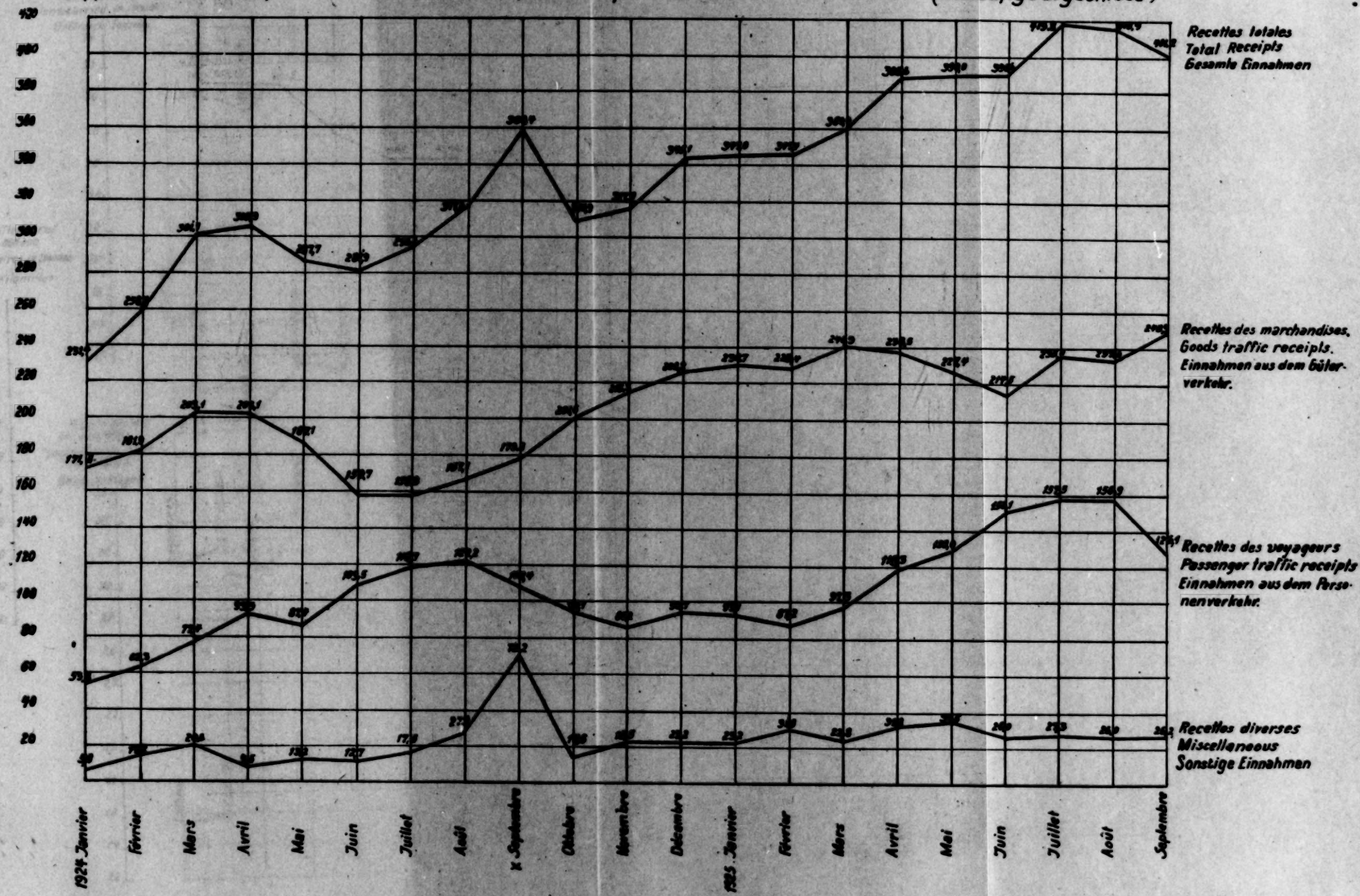
Messrs. R. Oeser, General Manager.
J. Dorpmueller, Assistant General Manager.
J. Vogt, Traffic and Rates Manager.
M. Kumbier, Manager of the Operating and Permanent Way Department.
A. von Frank, Manager of the Bavarian Administrative Group.
R. Anger, Manager of the Engine Department (Workshops and rolling stock).
A. Jahn, Manager of the Accounting and Legal Department.
Weirauch, Staff Manager.
P. Wolf, Manager of the Administrative Departments.
G. Hammer, Manager of the Supplies Department.

Annexe II.
Annex II.
Anlage II.

German Railway receipts in 1924 and 1925 in Millions of Marks.
(provisional results)

Recettes des chemins de fer allemands en 1924 et 1925 en Millions de Marks
(résultats provisoires)

Einnahmen der Deutschen Reichsbahn in den Jahren 1924 und 1925 in Millionen Mark.
(Vorläufige Ergebnisse)




x The highwatermark reached by "total receipts" in September 1924 is due to the exceptional increase in "miscellaneous" receipts in consequence of profits on exchange on account of the payment by third parties to the Company of debts outstanding since the final period of the Inflation.

x La pointe des recettes totales du mois de septembre 1924 provient d'une augmentation exceptionnelle des recettes diverses due à des bénéfices de change sur des paiements faits, par des tiers, de sommes dues à la Compagnie et remontant à la période finale de l'inflation.

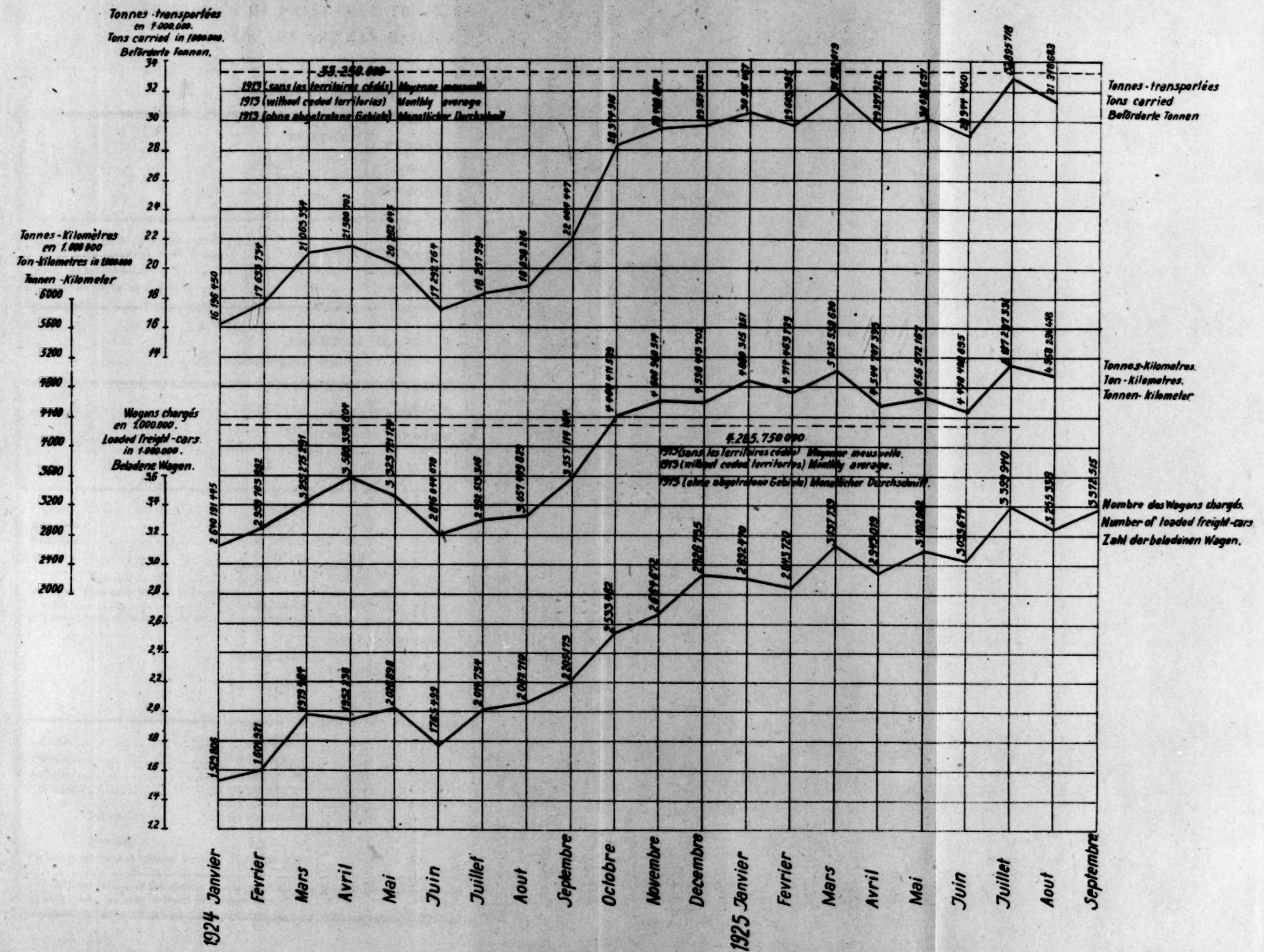
x Die Steigerung der Gesamteinnahmen im September 1924 rührt von einer ausnahmsweisen Erhöhung der sonstigen Einnahmen her. Diese Erhöhung ergibt sich durch Wechselkursgewinne aus Zahlungen für Beträge, die Dritte der Gesellschaft schuldeten und bis zum Ende der Inflationszeit zurückreichten.

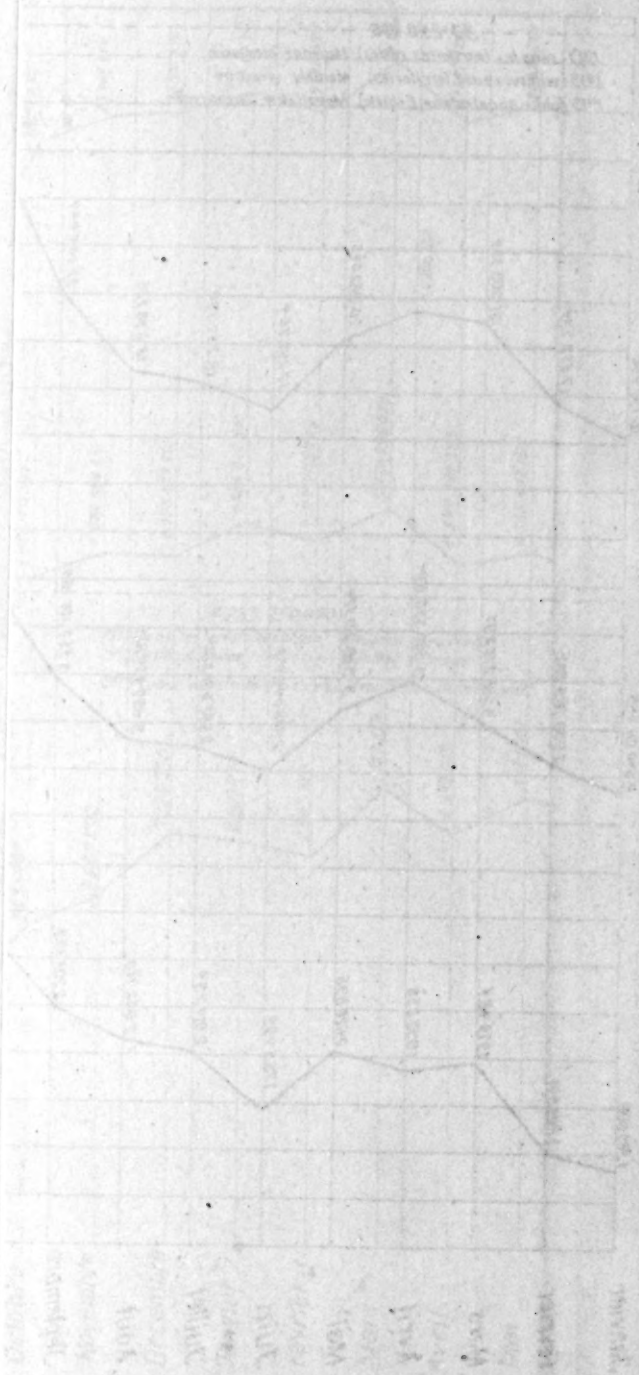
Annexe III.
Annex III.
Anlage III.

## Goods traffic on the German Railway in 1924 and 1925.

## Trafic marchandises sur les chemins de fer Allemands en 1924 et 1925.

## Güterverkehr auf den Deutschen Reichsbahnen in den Jahren 1924 und 1925.





# ANNEX IV.

## STATISTICS OF PASSENGER TRAFFIC AND TARIFFS OF THE GERMAN RAILWAYS.

### PASSENGER AND LUGGAGE TRAFFIC.

| | RECEIPTS (April 1, 1924–March 31, 1925) Mk. | NUMBER OF PASSENGERS. | PASSENGER-KILOMETRES (ESTIMATED). | AVERAGE RECEIPTS including luggage per passenger-kilometre Pf. | AVERAGE DISTANCE Km. |
|---|---|---|---|---|---|
| April 1913–March 1914 (not including Territories ceded under the Peace Treaty) | 904,000,000 | 1,576,900,000 | 36,599,000,000 | 2.47 | 23.21 |
| April 1924–March 1925 | 1,193,402,817 | 1,951,483,895 | 44,952,025,077 | 2.65 | 23.03 |
| Increase as compared with 1913 | 31.96 % | + 23.7 % | + 22.8 % | + 7.28 % | |

### PASSENGER TRAFFIC.

(Not including luggage, from April 1, 1924, to March 31, 1925).

| | RECEIPTS (April 1, 1924–March 31, 1925). Mk. | PERCENTAGE OF THE TOTAL in 1924-25. | PERCENTAGE OF THE TOTAL in 1913-14. | NUMBER OF PASSENGERS. | PERCENTAGE OF THE TOTAL in 1924-25. | PERCENTAGE OF THE TOTAL in 1913-14. |
|---|---|---|---|---|---|---|
| 1st class | 15,043,484 | 1.31 | 2.85 | 605,426 | 0.03 | 0.12 |
| 2nd class | 166,209,885 | 14.45 | 16.75 | 127,148,988 | 6.51 | 7.53 |
| 3rd class | 467,362,535 | 40.63 | 44.65 | 689,196,644 | 35.32 | 41.60 |
| 4th class | 501,809,925 | 43.61 | 35.75 | 1,134,532,817 | 58.14 | 50.75 |
| TOTALS | 1,150,425,829 | 100.00 | 100.00 | 1,951,483,895 | 100.00 | 100.00 |
| Including passenger fares at reduced rates | 170,139,237 | 14.79 | 13 | 1,091,547,057 | 55.93 | 50.63 |

| | PASSENGER-KILOMETRES | PERCENTAGE OF THE TOTAL in 1924-25. | PERCENTAGE OF THE TOTAL in 1913-14. | RECEIPTS PER PASSENGER-KILOMETRE. 1913-14. | RECEIPTS PER PASSENGER-KILOMETRE. 1924-25. | AVERAGE DISTANCE. 1913-14. | AVERAGE DISTANCE. 1924-25. |
|---|---|---|---|---|---|---|---|
| 1st class | 153,638,558 | 0.34 | 0.91 | 7.57 | 9.79 | 164.63 | 253,77 |
| 2nd class | 3,818,014,686 | 8.49 | 9.89 | 4.11 | 4.35 | 29.94 | 30.03 |
| 3rd class | 16,466,148,304 | 36.63 | 42.19 | 2.56 | 2.84 | 22.95 | 23.89 |
| 4th class | 24,514,223,430 | 54.54 | 47.01 | 1.84 | 2 05 | 20.64 | 21.61 |
| TOTALS | 44,952,025,077 | 100.00 | 100.00 | | | | |
| AVERAGE | | | | 2.36 | 2.56 | 23.21 | (1) 23.03 |
| Including journeys at reduced fares | 15,548,227,409 | 34.59 | 24.10 | 1.28 | 1.09 | 11.05 | 14.24 |

(1) The reduction in the mileage as compared with 1913-14, although the distance travelled has increased for each class, is due to the present tendency to travel by a lower class.

## STANDARD PASSENGER RATES.

(In pfennigs per kilometre).

| | 1913 | NOVEMBER 1, 1923. | | INCREASE AS COMPARED WITH 1913 (without tax). | DECEMBER 1, 1923 | | INCREASE AS COMPARED WITH 1913 (without tax). |
|---|---|---|---|---|---|---|---|
| | WITHOUT TAX. | WITH TAX. | WITHOUT TAX. | | WITH TAX. | WITHOUT TAX. | |
| 1st class | 7 | 19.8 | 17.07 | + 144 % | 13.2 | 11.38 | + 63 % |
| 2nd class | 4.5 | 9.9 | 8.68 | + 93 % | 6.6 | 5.79 | + 29 % |
| 3rd class | 3.0 | 3.3 | 2.95 | — 1.7 | 3.3 | 2.95 | — 1.7 |
| 4th class | 2.0 | 2.2 | 2.0 | — | 2.2 | 2.0 | — |
| | | MARCH 1, 1924. | | | MAY 1, 1925. | | |
| 1st class | | 9.6 | 8.28 | + 18.3 % | 10.8 | 9.31 | + 33 % |
| 2nd class | | 6.6 | 5.79 | + 28.7 % | 7.5 | 6.58 | + 46.2 % |
| 3rd class | | 4.5 | 4.02 | + 34.0 % | 5.0 | 4.46 | + 48.6 % |
| 4th class | | 3.0 | 2.73 | + 36.5 % | 3.3 | 3.0 | + 50.0 % |

In 1913 the passenger tax varied according to the several classes and was proportionate to the distance.

## SUPPLEMENTS FOR EXPRESS TRAINS.

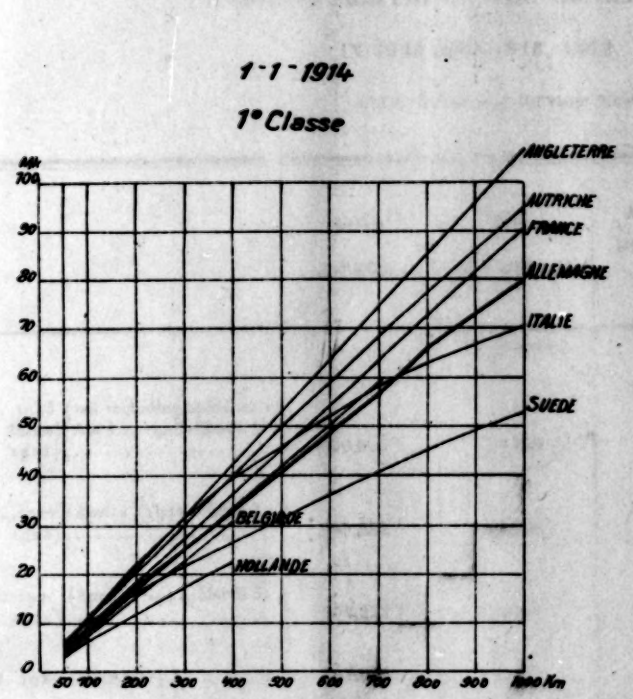
| | | PRESENT RATE MK. | 1914 MK. | INCREASE AS COMPARED with 1914. |
|---|---|---|---|---|
| Area I (1–75 km). | 1st class | 2.00 | 0.50 | 300 % |
| | 2nd class | 1.00 | 0.50 | 100 % |
| | 3rd class | 0.50 | 0.25 | 100 % |
| Area II (76-150 km). | 1st class | 4.00 | 1.00 | 300 % |
| | 2nd class | 2.00 | 1.00 | 100 % |
| | 3rd class | 1.00 | 0.50 | 100 % |
| Area III (over 150 km). | 1st class | 6.00 | 2.00 | 200 % |
| | 2nd class | 3.00 | 2.00 | 50 % |
| | 3rd class | 1.50 | 1.00 | 50 % |

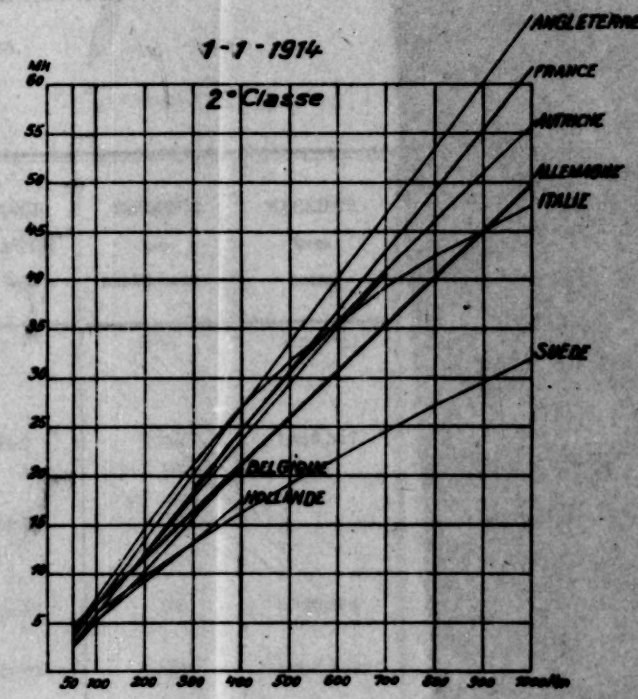
Annexe V
Annex V.
Anlage V

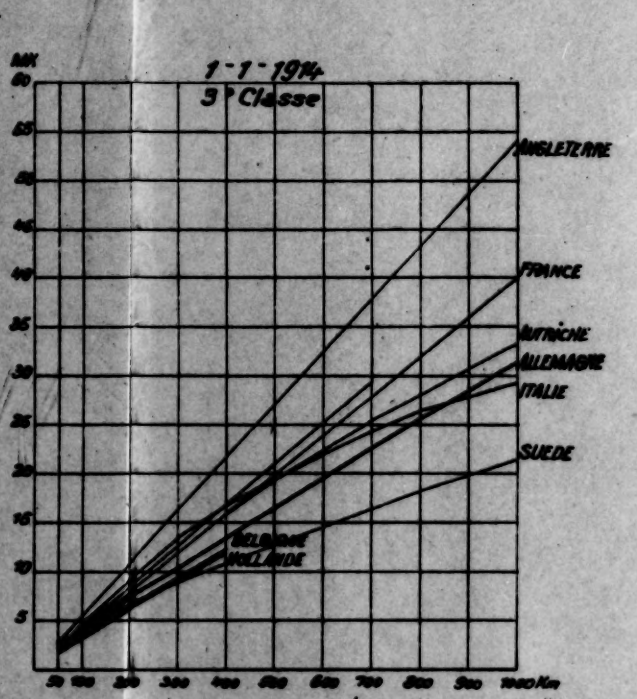
Comparison between German and foreign passenger rates for 1914 and 1925.
(including supplement for express trains)

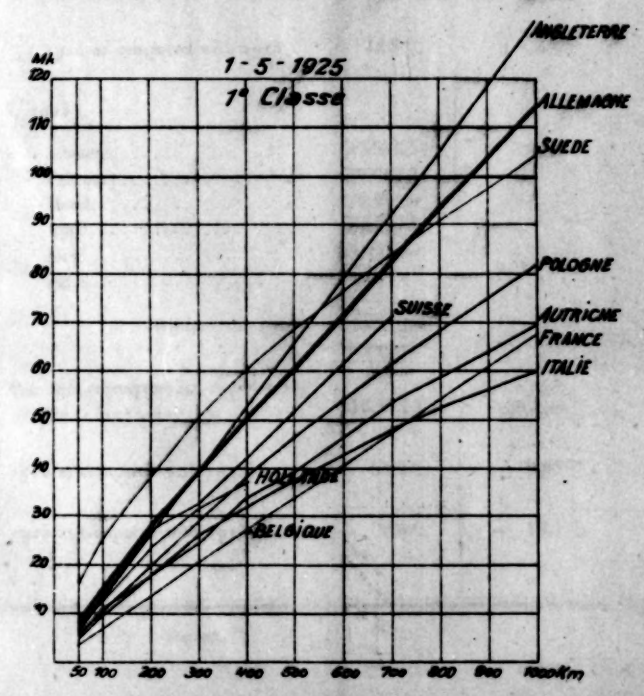
Comparaison entre les tarifs voyageurs allemands et etrangers en 1914 et 1925.
(y compris le supplement pour les trains express)

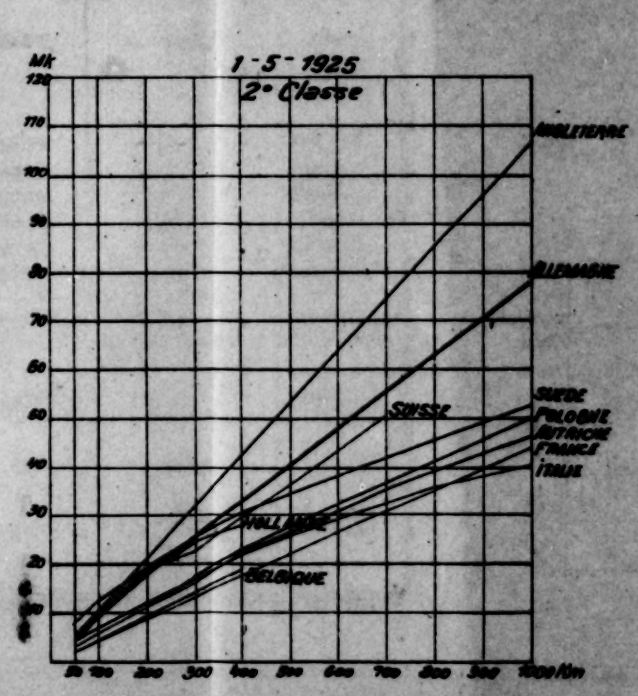
Vergleich zwischen deutschen und ausländischen Personentarifen in den Jahren 1914 u. 1925.
(einschließlich des Zuschlages für Schnellzüge)

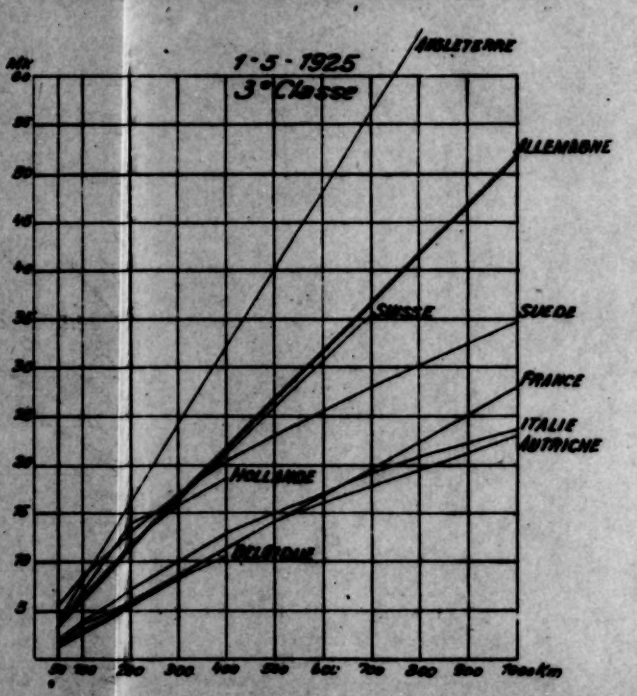


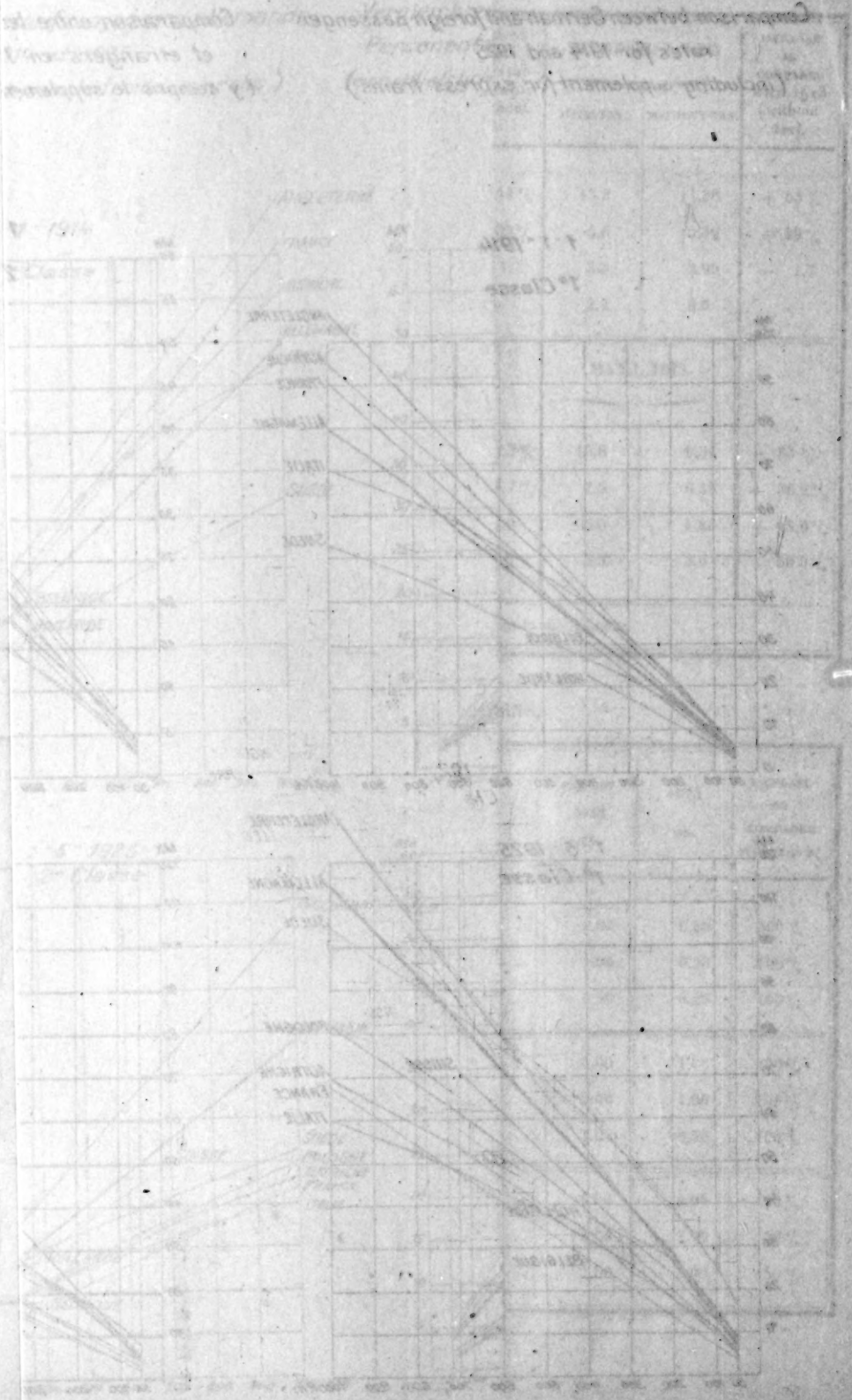





# ANNEX VI.

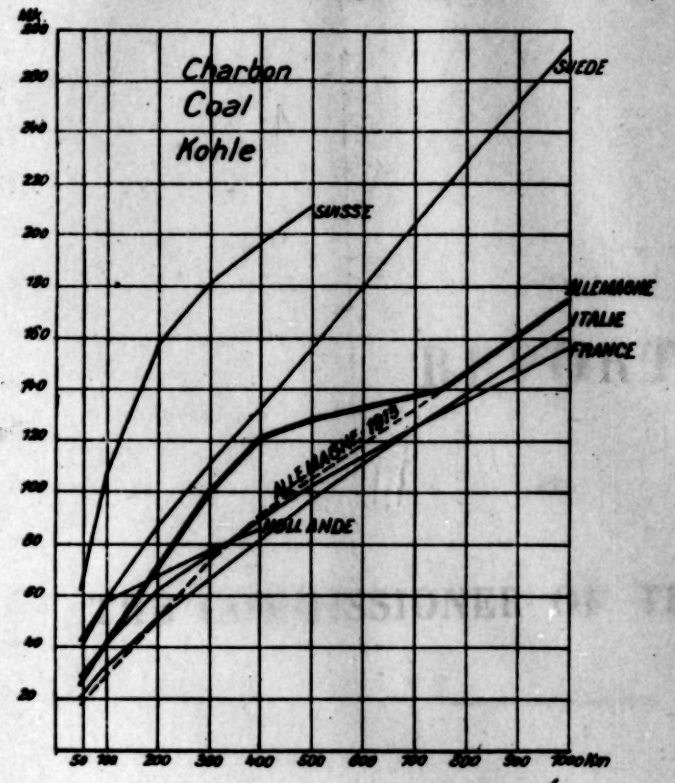
## GOODS TRAFFIC ON THE GERMAN RAILWAYS

### IN 1924 AND 1913, 1922, 1925.

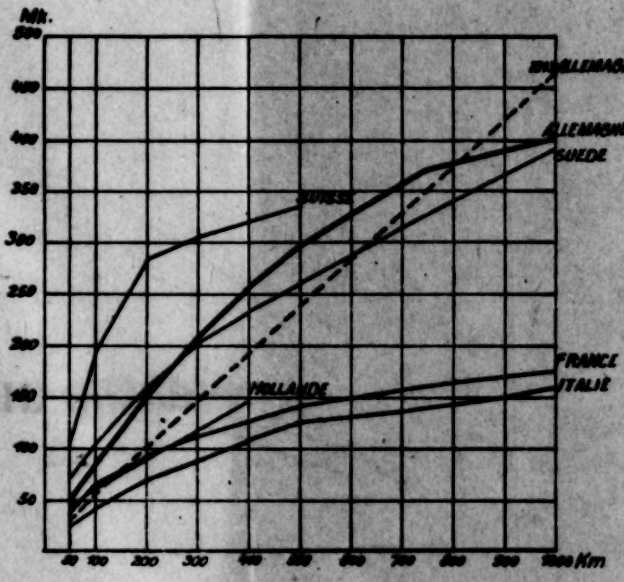
(not including service goods).

| | TONS CARRIED. | TON-KILOMETRES. | AVERAGE DISTANCE per ton. | RECEIPTS per ton-kilometre. | RECEIPTS from goods. |
|---|---|---|---|---|---|
| | (in 1,000.) | (in 1,000,000.) | (kms.) | (pfs.) | (in 1,000.) |
| 1. 1913 (not including ceded territories) [April 1, 1913–March 31, 1924] | 399,000 | 51,429 | 129.0 | 3.596 | 1,849,347 |
| 2. 1922 (April 1, 1922–March 31, 1923) | 385,086 | 62,550 | 162.43 | | |
| 3. 1924 (April 1, 1923–March 31, 1924) | 304,022 | 48,629 | 153.37 | 5.351 | 2,495,058 |
| 4. 1924 (solar year) | 267,970 | 41,227 | 153.85 | 5.839 | 2,407,616 |
| 1924 as compared with 1913. | — 32.8 % | — 19.8 % | + 19.3 % | + 62.4 % | + 30.2 % |
| 5. 1925: | | | | | |
| January | 30,516.5 | 4,880.3 | 159.92 | 4.73 | 230,709 |
| February | 29,603.4 | 4,714.5 | 159.25 | 4.84 | 228,405 |
| March | 31,982.0 | 5,025.5 | 157.14 | 4.78 | 240,302 |
| April | 29,297.9 | 4,544.7 | 155.12 | 5.25 | 238,466 |
| May | 30,026.6 | 4,656.6 | 155.08 | 4.88 | 227,415 |
| June | 28,944.5 | 4,478.4 | 154.72 | 4.79 | 214,506 |
| Total | 180,370.9 | 28,300.1 | 156.90 | 4.88 | 1,379,803 |
| For the corresponding months of 1924 | 116,473.7 | 18,907.7 | 162.33 | 6.15 | 1,162,640 |
| 1925 as compared with 1924 | + 54.9 % | + 49.7 % | — 3.3 % | — 20.7 % | + 18.7 % |
| 1925 as compared with 1913 | — 9.6 % | + 10.1 % | + 21.6 % | + 35.7 % | + 49.2 % |

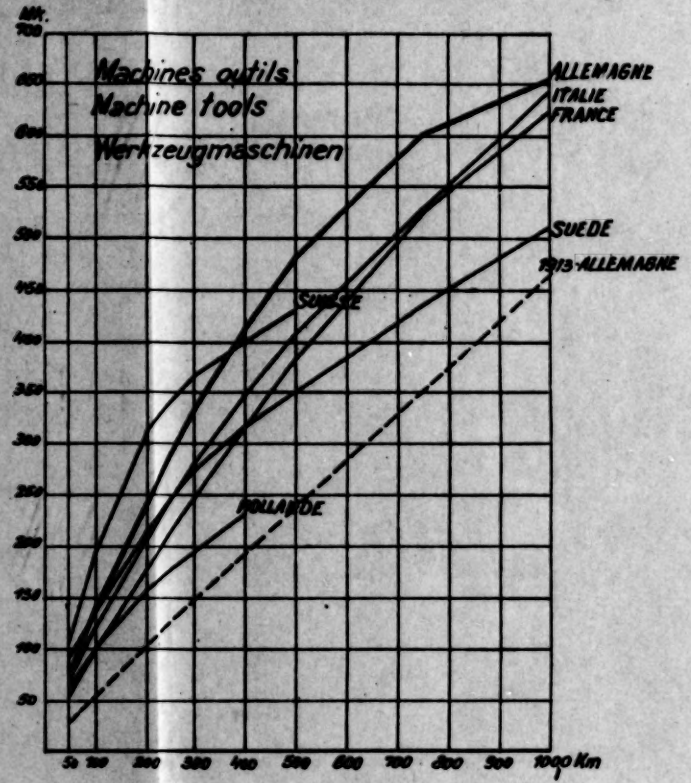
Comparison between German and foreign transport rates (Position as at May 1, 1925)
(Rates calculated on the exchange of May 1, 1925)

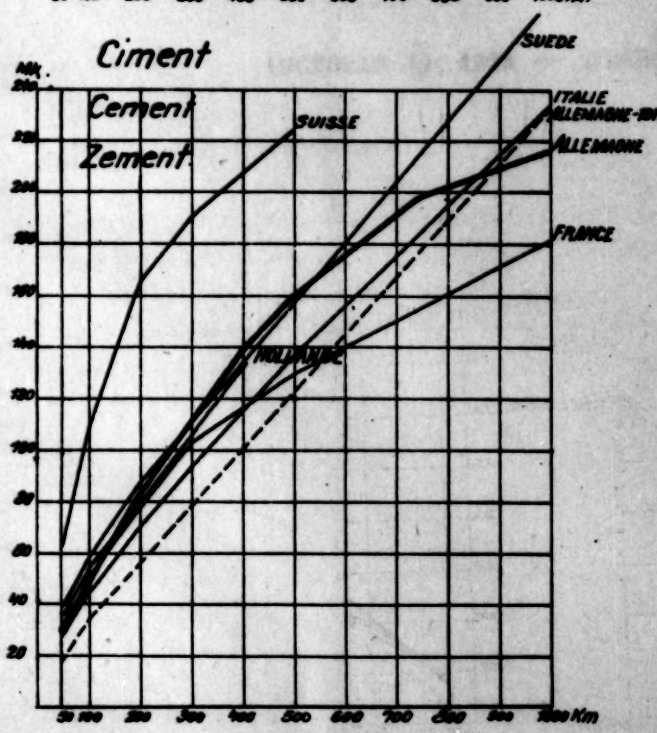


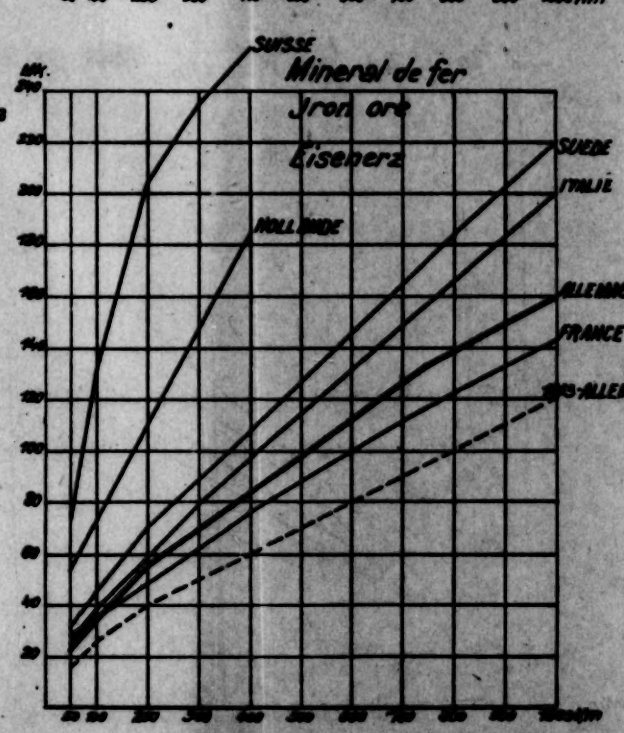

Comparaison entre les prix de transport allemands et étrangers (Situation au 1er Mai 1925)
(Prix calculés d'après le change au 1er Mai 1925)



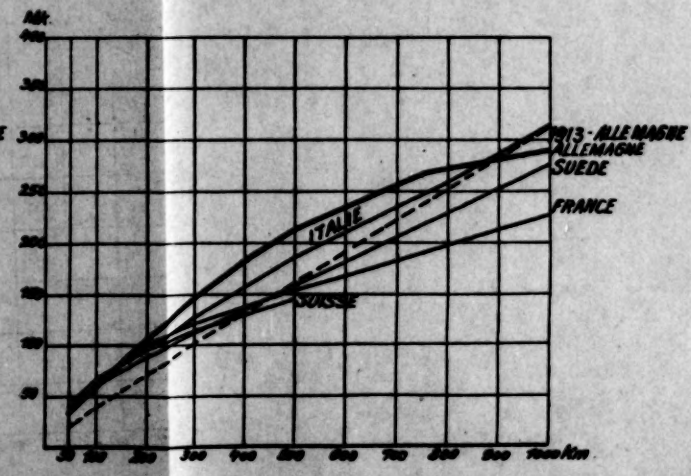

Vergleich zwischen den deutschen und ausländischen Frachtsätzen (nach dem Stande vom 1. Mai 1925)
(errechnet nach dem Wechselkurs vom 1. Mai 1925)

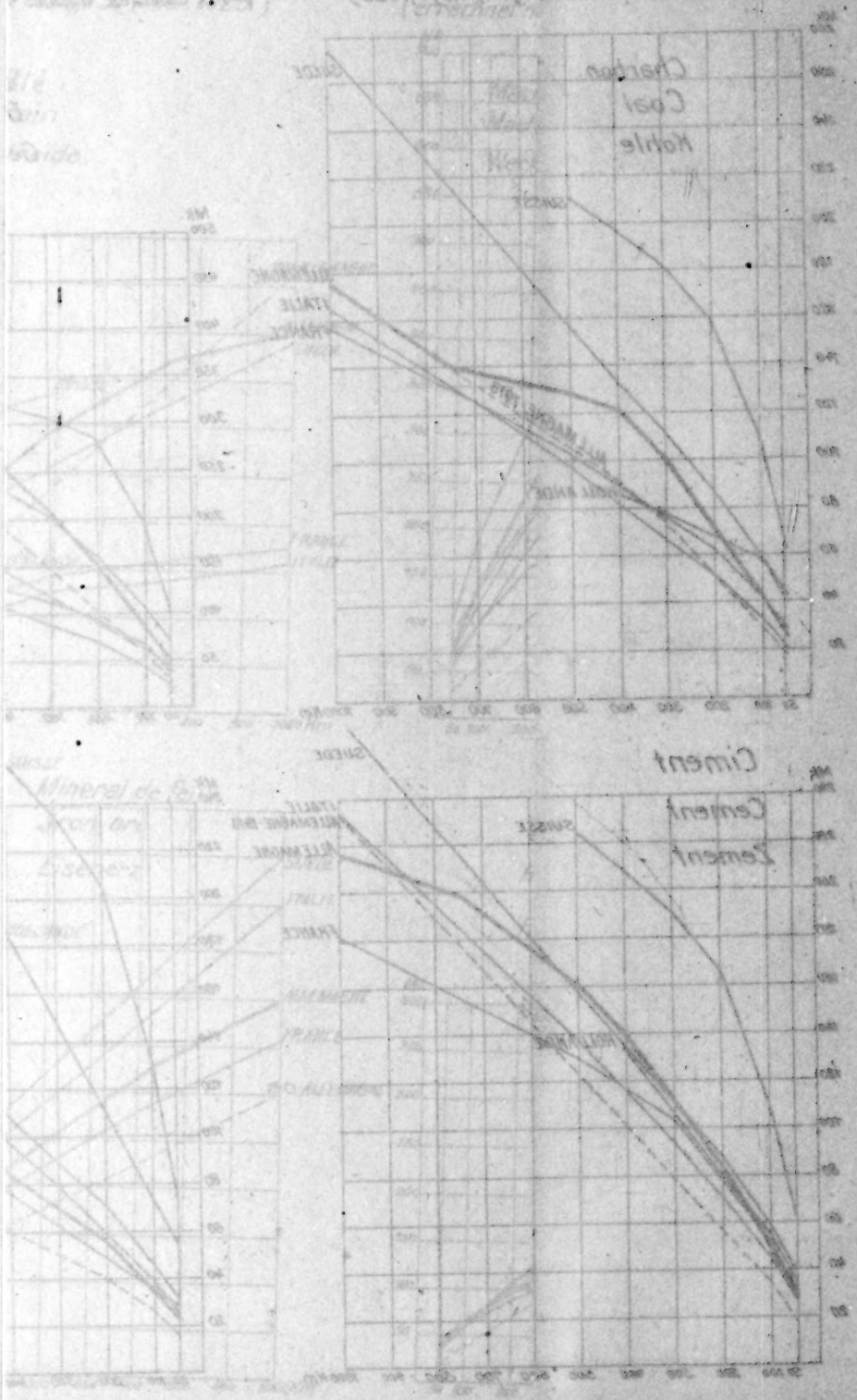



Bois rond (pin)
Round timber (pine)
Rundholz (Fichte)





# REPORT

OF

# THE COMMISSIONER OF THE REICHSBANK

---

(OCTOBER 11, 1924 — AUGUST 31, 1925)

# REPORT

# OF THE COMMISSIONER OF THE REICHSBANK.

(OCTOBER 11, 1924-AUGUST 31, 1925)

---

The interim Report submitted in May 1925 with reference to the period from October 11, 1924 to April 30, 1925, explained the principles underlying the new Bank Law (Bankgesetz) which came into force on October 11, 1924; it also gave the names of the members of the General Council of the Reichsbank; further information and figures for the period were also given.

In accordance with §§ 15 and 16 of the Bank Law, it was decided by lot at the first meeting of the *General Council* that the following members should hold office for one year only:

*Foreign Members:*

Sir Charles Addis,
Gates W. McGarrah,
Charles Sergent.

*German Members:*

Franz von Mendelssohn,
Hans Reinhard,
Oscar Wassermann.

At the meeting of the General Council held on June 30, 1925, the above-mentioned foreign members were re-elected, while the German members were re-elected at the meeting of October 1, 1925; in the case of the German members the election is subject to confirmation by the shareholders of the Reichsbank who are of German nationality. All of them agreed to accept a further term of office.

During the period covered by the present Report the General Council met once a month and discussed the monthly Reports of the President and of the Commissioner.

The Commissioner was regularly present at the weekly meetings of the Directors of the Reichsbank (Reichsbankdirektorium), with the Deputies of the Central Committee.

Under § 27 of the Bank Law the principal duty of the Commissioner is to ensure the execution of the provisions of the Law which relate to the right to issue notes and the maintenance of cover for the notes in circulation.

## I. ISSUE OF NOTES.

Under § 3 of the new Bank Law the Reichsbank is obliged to call in the whole of its (*paper*) *mark notes* in circulation and to exchange them for Reichsmark notes. As already stated in the previous Report, an order calling in the paper mark notes was issued on March 5, 1925. All Reichsbank notes dated earlier than October 11, 1924, were called in; they ceased to be legal tender as from June 5, 1925, and became entirely worthless as from July 5, 1925.

The Reichsbank nevertheless decided to exchange the called-in notes for legal tender for a certain period even after July 5, 1925, where it could be proved that the person presenting the notes was in necessitous circumstances, or for some sound reason had been unable to exchange the notes within the time-limits fixed. The old paper mark notes still in circulation after July 5, 1925, have therefore been provisionally included in the total of Reichsbank notes in circulation. At the end of the period covered by the present report there was only a small amount of these notes still in circulation (less than 1 % of the total circulation of Reichsbank notes).

Legal proceedings have been instituted against the Reichsbank in a number of cases for revalorisation of the old (paper) mark notes. Various judgments have already been pronounced (the most recent being that of the Berlin Kammergericht or Court of Appeal) rejecting the applications for revalorisation, and upholding the view that no higher value can be attributed to the old (paper) mark notes than that indicated in § 3 of the Bank Law (one billion — i. e million million — paper marks = one Reichsmark). It is not yet certain whether the claimants will appeal to the Supreme Court of the Reich at Leipzig.

§ 27 of the new Bank Law provides with regard to the new *Reichsmark notes* to be put into circulation by the Reichsbank that the participation of the Commissioner in the preparation and issue of the notes shall be certified by a special Issue Control Stamp (Ausfertigungskontrollstempel). This is applied in the form of a dry stamp, introduced into the relief design chosen for the notes by the Reichsbank as a protection against fraud. The Issue Control Stamp was first printed on October 29, 1924, and has since been continually applied in the presence and under the supervision of the controllers belonging to the Commissioner's staff.

The preparation of the Reichsmark notes was almost completed during the period covered by the present Report; in fact the printing ceased on September 8, 1925.

The new Reichsmark notes were first put into circulation at the beginning of November 1924. Although some forgeries have been discovered in the 10 and 20 Reichsmark notes, the notes have hitherto proved satisfactory in current use.

On October 15, 1924, the date of the first weekly return of the Reichsbank in its new form, the total circulation of Reichsbank notes was 1,396,748,000 RM. This figure gradually increased until the highest amount of 2,608,797,000 RM was reached on May 30, 1925. On August 31, 1925, there were 2,594,562,000 RM in circulation.

Besides the bank notes issued by the Reichsbank, the Rentenbank notes issued

by the German Rentenbank, as well as the notes of the four private Banks of Issue and coins, are also in circulation.

On October 15, 1924, the circulation of *Rentenbank notes* amounted to 1,790,400,000 RM, while on August 31, 1925, it was 1,712,600,000 RM. Under § 5 of the Law for the Liquidation of Rentenbank Notes in Circulation (Gesetz über die Liquidierung des Umlaufs an Rentenbankscheinen) the total issue of Rentenbank notes must be redeemed within 10 years at latest, while the 870 million RM issued in the form of credits to private individuals have to be paid off within three years, and at least one-third of the total each year (§ 11).

Under § 16 of the Decree for the Establishment of the German Rentenbank (Verordnung über die Errichtung der deutschen Rentenbank) the Rentenbank was empowered inter alia to grant the Reichsbank credits which the latter was to pass on to private enterprise. On October 15, 1924, these credits, which went mainly to agriculture, amounted to 800 million RM.

For the liquidation of these credits, the Reichsbank paid over 100 million RM to the Rentenbank in Rentenbank notes and, under § 11 of the Law for the Liquidation of Rentenbank Notes in Circulation, transferred to the Rentenbank bills expressed in Rentenmarks to the value of 700 million RM. The debt of the Reichsbank to the Rentenbank was thus cancelled in full on August 31, 1925.

The Bills so transferred are redeemed by the Rentenbank in accordance with the above-mentioned provisions of the Law for the Liquidation of Rentenbank Notes in Circulation.

The 1,200 million RM lent to the Reich are to be redeemed by means of a special Sinking Fund established for the purpose. The following sums are to be paid into this Sinking Fund :

1. the annual revenue owed to the Rentenbank by the owners of property subject to the mortgage on the land, minus 25 million RM which is placed at the disposal of the Rentenbank Credit Institution (1) (§ 7 *a*);
2. 60 million RM per annum by the Reich (§ 7 *b*);
3. the share of the Reich in the annual profits of the Reichsbank (§ 7 *c*).

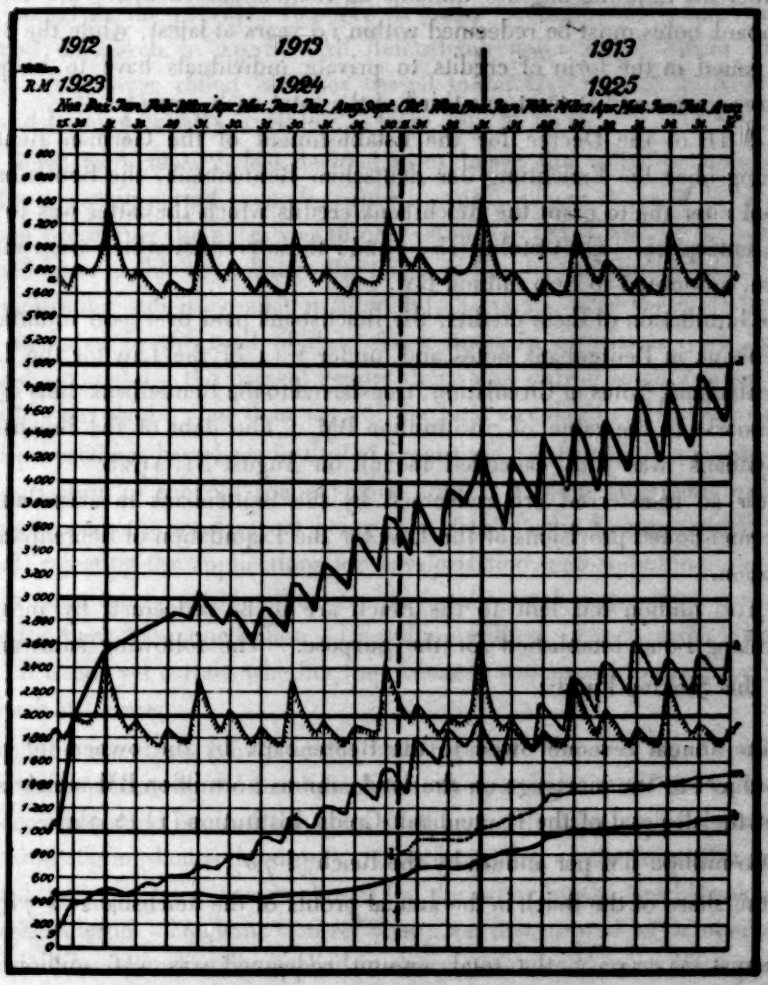
On August 31, 1925, the total amount redeemed was 246 million RM, as follows :

| | |
|---|---|
| under § 7 *a*..... | 45.4 million RM |
| under § 7 *b*..... | 45.0 million RM |
| under § 7 *c*..... | 55.6 million RM |
| under § 11..... | 100.0 million RM |
| TOTAL..... | 246.0 million RM. |

(1) This revenue will amount to about 100 million RM per annum (5 per cent on the capital of 2 milliard RM), so that from this source about 75 million RM per annum will be paid into the Sinking Fund.

The right of issue of the *Private Banks of Issue* has been retained (these are the Bayerische Notenbank, the Württembergische Notenbank, the Sächsische Bank, and the Badische Bank). The maximum note issue allowed to these banks is 194 million

DIAGRAM I.




*a-b.* Total circulation of means of payment 1912/13.
*c-d.* Total circulation of means of payment 1923/25.
*e-f.* Reichsbank notes 1912/13.
*g-k.* Reichsbank notes 1923/25.
*i-k.* Gold holdings 1923/25.
*l-m.* Gold holdings + Devisen available for cover 1924/25.
---11 Oct. 1924: Banking Law taking effect.

Reichsmarks (1). On August 31, 1925, they had issued notes to the value of 186.5 million RM.

The right of the *German Golddiskontbank* to issue notes, which had never been exercised, was withdrawn under § 2 of the new Bank Law.

(1) 70 million RM each for the Bayerische Notenbank and the Sächsische Bank; 27 million RM each for the Württembergische Notenbank and the Badische Bank.

The *gold coins* to the value of 20 and 10 Reichsmarks for which provision is made in § 2 of the Coinage Law (Münzgesetz) of August 30, 1924, have not yet been coined. The amounts in circulation of the gold coins, which were coined under former Laws and are legal tender under § 4 of the Coinage Law, are insignificant.

On August 31, 1925, the circulation of *silver coins* (for 1, 2, 3 and 5 Reichsmarks) and of *pfennig pieces* (1, 2, 5, 10, and 50 pfennigs) amounted to 508.6 million RM. The total amount of such coins must not exceed 20 Reichsmarks per head of the population of the Reich. The coins are issued by the Reich and are put into circulation by the Reichsbank as and when they are required (§ 8).

The accompanying Diagram I shows the development of the circulation of Reichsbank notes and of other instruments of payment from November 15, 1923 (the date on which the Rentenbank took over its duties and German currency may be considered to have been stabilised) until August 31, 1925. The figures relating to the Diagram are contained in Annex A to the present Report.

The figures for the same period in the years 1912-1913 are given for purposes of comparison. The total circulation for this period includes the whole of the gold then in the hands of the general public, to the estimated amount of 2,750 million RM.

## II. COVER FOR NOTES IN CIRCULATION.

The Reichsbank is obliged always to hold the following cover for its notes in circulation :

1. at least 40 per cent in gold (1) or Devisen [foreign exchange] (2); at least three quarters of this cover must be in gold;
2. discounted commercial bills and cheques covering the remainder of the notes in circulation.

*Ad 1.* The cover in gold and Devisen amounted on October 15, 1924, to 818,166,000 RM and on August 31, 1925, to 1,495,819,000 RM. The development of the cover during this period is shown in Diagram I; the figures are contained in Annex B to the present Report.

During the period from October 11, 1924 to August 31, 1925, this cover averaged 59.7 per cent of the Reichsbank notes in circulation. The highest percentage was 71.2 per cent on March 23, 1925, and the lowest 49.8 per cent on November 29, 1924.

Diagram II shows the various percentages of cover attained; the figures are contained in Annex C.

As the President of the Reichsbank informed the meeting of the Central Committee held on July 28, 1925, it is the opinion of the Reichsbank that the permission granted under the Bank Law to cover part of the note circulation by means of Devisen is merely a temporary measure of relief, and that in spite of the slight loss of

---

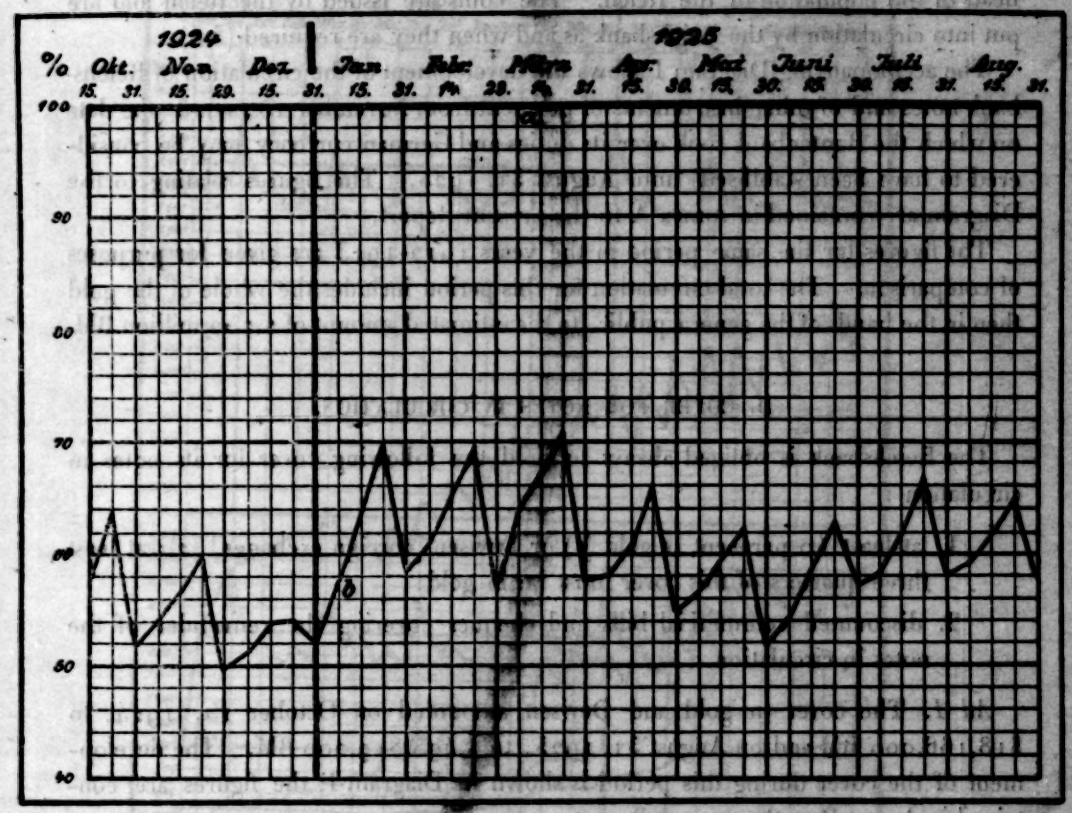
(1) According to the Bank Law, gold in this sense is gold in bars and German or foreign gold coins, one pound of fine gold being reckoned as equal to 1,392 Reichsmarks.

(2) According to the Bank Law, devisen are bank notes, bills maturing in not more than 14 days, cheques and day-to-day claims, all in foreign currency.

interest coined and uncoined gold are generally preferable as cover for a Bank of Issue.

The cover for the notes of the Reichsbank has developed in accordance with this principle. During the period considered in the present Report, the gold reserve of the Reichsbank increased from 613,625,000 RM on October 15, 1924, to 1,138,361,000 RM on August 31, 1925, chiefly by the conversion of foreign

DIAGRAM II.




a. Reichsbank notes in circulation.
b. Percentual cover of the notes by gold and "Devisen" available for cover.

exchange cover into gold. Of this gold reserve 172,143,000 RM was deposited with foreign Banks of Issue on October 15, 1924, and 92,978,000 RM on August 31, 1925.

*Ad 2.* The Reichsbank holdings of commercial bills and cheques have always exceeded the amount of bank notes not covered by gold and Devisen.

According to §§ 21 and 28 of the Bank Law, the maturity of bills and cheques entitled to be used for cover may not be of more than 3 months.

* * *

As already stated in the previous Report, the Reichsbankdirektorium presented its Report for the year 1924 to the General Meeting held on March 23, 1925. The Report describes in detail the measures taken during 1924 and previously for the definitive stabilisation of German currency.

The capital of the Bank was reduced to 90 million RM when the new Bank Law came in force, the ratio of 2 : 1 being adopted for the purpose.

In accordance with § 37 of the Bank Law, 20 per cent of the net profit (25.4 million RM) was carried to the statutory reserve fund, while 55.6 million RM remained for the Reich and 42.4 million RM for the shareholders. From this last amount a 10 per cent dividend was paid on the original capital, and the balance of 33.4 million RM was assigned to the special reserve for future dividends for which provision is made in § 37 of the Bank Law. In addition to a special reserve of 80 millions for liabilities in respect of pensions and half-pay allowances, it was possible to place sums to reserve for dubious debtors, for the printing of notes and for new constructions.

Apart therefore from its special reserves, the net assets of the Bank at the end of the accounting year amounted to 115.4 million RM.

In January, 1925, the capital of the Bank was increased by the conversion into Reichsbank shares of shares of the Golddiskontbank to the value of 32,263,000 RM which were held by private banks (this transaction is referred to on page 12) and by the issue of 525,000 RM to the shareholders of the Schleswig-Holsteinische Girobank in return for payment in full in Devisen. This brought the capital of the Reichsbank to a total of 122,788,000 RM and the net assets to 148.2 million RM.

## SOME ASPECTS OF THE POLICY OF THE REICHSBANK.

The following observations may be made on the subject of the credit policy followed by the Reichsbank.

Credit is given by the Reichsbank in the following forms:

1. Discount of mark bills;
2. Loans (principally against securities);
3. Purchase of Devisen (foreign exchange).

Owing to the terms demanded, less recourse is had to loans now than before the war. It is only on the last days of the month that there is a heavy demand for loans.

In the case of discounts and loans, the Reichsbank at present follows a policy of restricting credit, in accordance with which the total amount of credits to be granted (which is the total amount of credits outstanding on April 7, 1924, plus an increase of 10 per cent allowed in September, 1924) and also the total "contingents" of credits allowed to the individual branches of the Reichsbank were fixed.

An exception is made in the case of bank acceptances. In order to promote the development of the private discount market, the Reichsbank has declared its preparedness if necessary to discount bank acceptances irrespective of the contingent, provided that only a short-time use of this facility is made. In fact this has always been the case. Previously the banks had come to an agreement according to which they will not put in circulation more than 50 per cent of their capital and reserves in the form of bank acceptances.

The discount rate of the Reichsbank, which on October 11, 1924, was 10 per cent, was reduced on February 26, 1925, to 9 per cent; the loan rate was reduced at the same time from 12 to 11 per cent.

At the meeting of the Central Committee on February 26, 1925, the President of the Reichsbank stated that this lowering of the discount rate was due to the following considerations :

1. The decline in the bill and loan investments of the Reichsbank, as a result of :
   *a*) the influx of foreign credits;
   *b*) the withdrawal of agricultural bills from the portfolio of the Reichsbank in virtue of the Law for the Liquidation of the Rentenbank;
   *c*) the general cutting of commitments, as a result of which the contingents of credits fixed for the branches were only utilised to the full in a few instances;
2. The reduction in the circulation of media of payment;
3. The progressive growth of the private discount market.

The fact that the efforts to centralise the public funds and to employ them in the open money market have met with the entire sympathy of a certain number of the quarters concerned, also contributed to the Bank's decision to lower the discount rate.

Since then the Reichsbank has been pressed by various quarters to reduce the discount rate still further; hitherto, however, it has refrained from action in this direction, in view chiefly of the subsequent changes in the holdings of Devisen.

The President of the Reichsbank elaborated the Bank's standpoint at the meeting of the Central Committee on July 28, 1925, when he stated that the position of the trade balance, the calling in of short-term foreign credits and the Reparation liabilities (interest on the Dawes Loan, Recovery Acts, and Occupation costs) have combined to create such a demand for Devisen that any further reduction of the discount rate was not justifiable for the moment. Furthermore, the total circulation of media of payment, as will be seen from the diagram on page 6 and Annex A, shows a persistent increase once more since the reduction of the discount rate in February 1925; the circulation at the end of the period covered by the Report had risen to approximately 5 milliards RM.

In fact the development of the various factors to which the President referred calls for the continuous attention of the Reichsbank. The German balance of payments during the period covered by the Report was throughout such that current equilibrium could only be maintained by continual increase of foreign credits. The Reichsbank had already begun, since June 3, 1924, to comply fully with all demands for Devisen at a dollar rate of 4.20, and *vice versa* to accept all Devisen offered to it at the same rate. The Reichsbank has since followed this practice uninterruptedly although the legal obligation to redeem the bank notes has not yet come into force (1). As, moreover, the considerable difference between the rates of interest inside and outside Germany tends towards concentration of the Devisen held in Germany with the Reichsbank, it is clear that any temporary change in the volume or direction of foreign borrowing will immediately show itself in the position of the Reichsbank.

(1) Under § 31 of the Bank Law, the Reichsbank is under obligation to redeem its notes to bearer, at the option of the Bank, in German gold coins, in gold bars, or in cheques or orders to pay in foreign currency. According to § 52, the coming into force of this provision requires a joint decision of the Reichsbankdirektorium and of the General Council. Up to now no such decision has been taken.

The following observations may be added in regard to the question of foreign borrowing.

It is clear that under present circumstances those foreign credits which contribute directly or indirectly to increase exports and consequently can be said to cover themselves, are the most desirable. The same is true up to a point of credits which may help to diminish imports; to this class belong, amongst others, a great part of the agricultural credits devoted to production. Side by side with these credits, however, there are many others, in the case of which no such direct or indirect relation with the accumulation of Devisen exists. The majority of the foreign credits to Communes and other Corporations with Public Law status belong to this latter group. It is essential in the general interest that in the case of these credits, even more than in the case of the credits granted by the Reichsbank itself, the requirement of employment for productive purposes should be satisfied.

It is not at all certain that this condition will be fulfilled, as — particularly in the case of credits granted to public institutions — the object of the credit has only a secondary importance for the foreign lender; and on the other hand the Reichsbank is not in a position, when the borrowed sums in foreign currency are presented to it for conversion into Reichsmarks, to enforce the same conditions as it would do in the case of credits granted by itself.

For these reasons, in December, 1924, the Federal States in agreement with the Government of the Reich fixed certain guiding principles to be observed by the States, Communes and Associations of Communes, when taking up foreign credits.

The application of the guiding principles was entrusted to an Advisory Board to which belong representatives of the Finance Ministry of the Reich, the Ministry for Economic Affairs of the Reich, the Prussian and Bavarian State Banks and the Reichsbankdirektorium.

The Advisory Board examines the credits submitted to it from the point of view of their economic desirability. As a general rule it only approves of such foreign credits as quite clearly serve productive ends, that is to say the erection of plant which by the direct production of values provides sufficient security for the service of the loan out of their own receipts.

The Reichsbank has on several occasions expressed the view that, in considering the admissibility of these external credits, great caution should be adopted.

A second very important question is that of the length of time for which credits are granted. As a result of the Inflation, the most urgent need of German economy is now working capital. Although the purposes for which it is required vary constantly, the need for working capital is continuous; consequently, unless an increase in the concerns' own capital is possible, it is highly desirable that the granted credits are long-dated. On the other hand the new German capital in the market, which is still exiguous in amount, is in most cases available for short periods only; even where this is not so, short investments are preferred, with the result that it is frequently impossible to avoid covering long-dated requirements by means of short-dated credits. This is one of the weakest points of German economy to-day, and a rigid spirit of saving is the only means by which an improvement can gradually be effected.

In the case of foreign credits some results have been obtained during the period covered by the Report. Whereas most of the foreign credits were originally granted for short periods, the proportion of long-dated credits has gradually increased ; several short-dated credits have been repaid, and others have been converted into long-term loans. Conditions here are not yet, however, entirely satisfactory and great care has still to be shown on this point also by the Reichsbank.

For the sake of completeness, mention must be made in this connection of the *Golddiskontbank*, through the medium of which the Reichsbank has a hand in the granting of credits in foreign currency.

The Golddiskontbank, the whole of whose shares came into the possession of the Reichsbank at the beginning of January 1925 (1) resumed business according to a statement of the Reichsbankdirektorium on April 27, 1925, although the original intention had been gradually to wind up current business. Credits are granted, chiefly in pounds sterling but also partly in dollars out of the Bank's own funds, and arrangements have also been made by which it can rediscount its bills abroad if necessary. Little use has hitherto been made of this opportunity for rediscount. At the end of the period covered by the present report, the sum of rediscounts was $. 5,100,000. The credits are only granted in connection with export transactions, and in each case the Managing Board of the Golddiskontbank are careful to see that this requirement is fulfilled. The length of time for which the credit is allowed is dependent on the dates for payment; but as a general rule cerdits are not granted for more than six months, and never for more than nine months. In addition to commercial bills bank acceptances are also discounted, where proof can be supplied of the existence of export contracts.

The discount rate of the Golddiskontbank, which remained at 8 per cent since June 1924, was reduced to 7 per cent on May 9, 1925 (2).

As long as the credit restrictions in their present form remain in force, there cannot be any normal connection between the bank discount rate and the rate of interest on the *money market*. It would nevertheless appear of interest to devote a few words to the development of the interest rate on the open market.

It should first be observed that the importance of the money market in Germany is to-day relatively far less than was the case before the war, while its present position cannot be considered normal from more than one point of view.

This is due to a considerable extent to the large sums of public money which have been at disposal. Although probably a proportion of these public funds can only be considered as temporarily available, the volume of them has

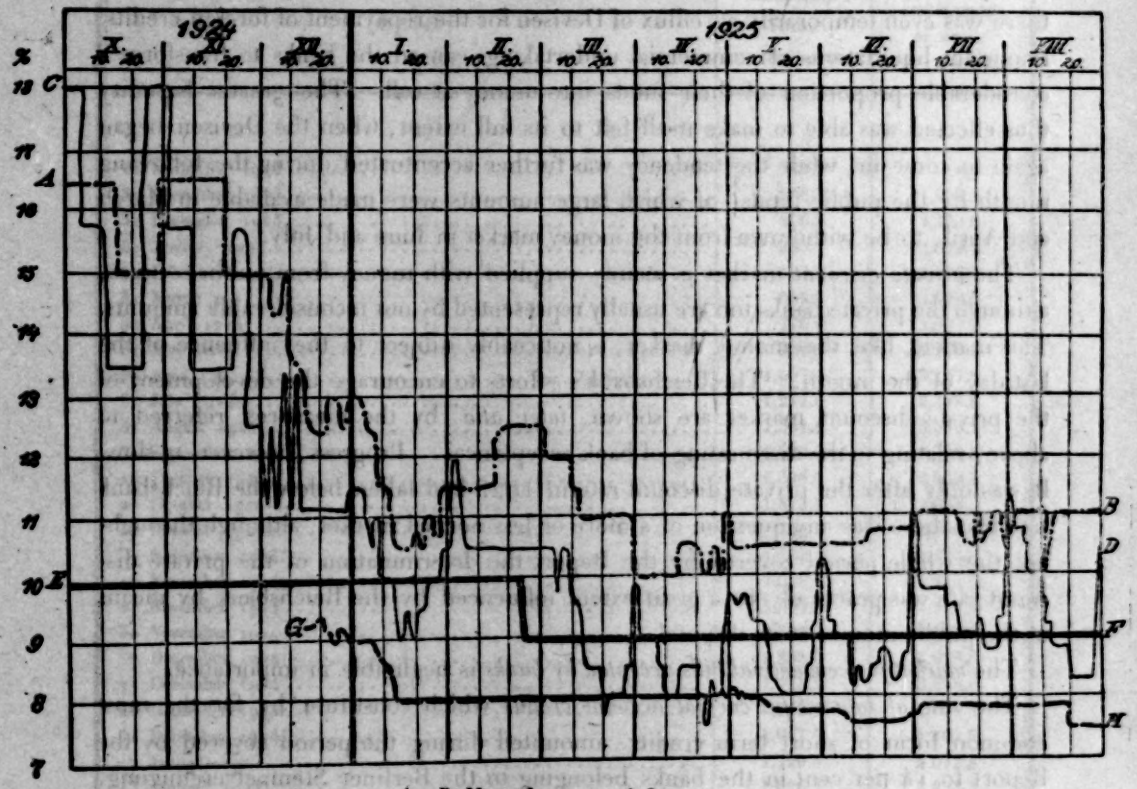
---

(1) On April 7, 1924, the Reichsbank founded the Deutsche Golddiskontbank in virtue of the Law of March 19, 1924, with an original capital of 10 million pounds sterling, 5 millions of which were taken up by the Reichsbank — for this purpose, the Reichsbank borrowed 5 million pounds sterling from the Bank of England — and 5 millions by a consortium of private banks. The latter shares were exchanged for new Reichsbank shares in January 1925. The credit granted by the Bank of England was repaid on April 30, 1925.

(2) A further reduction to 6 per cent was made on October 14, 1925.

steadily increased during the period covered by the Report. They have without doubt artificially eased the conditions on the money market; moreover the very considerable fluctuations in the total amounts have incidentally created an unmistakable sense of uncertainty. The public funds, and those funds which may be classed in the same category — chiefly derived from the Reich, the Postal Service and the Reichsbahn — amounted to more than one milliard Reichsmarks towards the end of the period covered by the Report. The funds of the Government are held under § 25 of the Bank Law by the Reichsbank, where they are partly placed free of interest to Giro account, and partly invested at interest by the rediscounting

DIAGRAM III.




A. – B. Money for one month fixe.
C. – D. Call Money,
E. – F. Discount Rate of the Reichsbank.
G. –H. Private Discount Rate.

of bills from the portfolio of the Reichsbank, or the purchase of bills by the Reichsbank on the private discount market.

The expediency of a general concentration of the public funds at the Reichsbank can be shown on more grounds than one. From the monetary point of view there is no doubt that any measure is deserving of support which — in view of present conditions and of the difficult problems still remaining to be solved by the central bank policy in Germany — is calculated to strengthen the position of the Reichsbank in its dealings with the money market.

Some data concerning the money market have been compiled in Diagram III and

Annex D from which it may be seen that from October, 1924, to May, 1925, the market for day-to-day money showed a general tendency to become easier. In May, 1925, the situation changed; the market became firmer, and remained firm until the beginning of August. Towards the middle of that month money again became easier. The first-mentioned tendency to easier money was due to the influx of foreign credits, which increased after the signing of the London Protocol, and to the large sums made available by public departments.

It is not easy to determine the extent to which the reduction of the discount rate affected the position, the more so as the influence it had was principally of a psychological nature in view of the existing restriction of credits. The position of the money market became more difficult as the flow of foreign credits slackened, and there was even temporarily an efflux of Devisen for the repayment of foreign credits. Important liquidations of commercial undertakings caused the banks to transform a considerable proportion of their funds into money at call. The greater liquidity thus effected was able to make itself felt to its full extent, when the Devisen began again to come in, while the tendency was further accentuated during the following month by the public funds, of which large amounts were made available in March and April, to be withdrawn from the money market in June and July.

The *private discount* market is mainly supplied with money from public sources, although the private banks too are usually represented by not inconsiderable amounts. This market, like the money market, is noticeably subject to the influence of the last day of the month. The Reichsbank's efforts to encourage the development of the private discount market are shown, *inter alia*, by the measures, referred to above, relating to the discounting of bank acceptances. Progress, however, is slow. It was only after the private discount rate in 1925 had fallen below the Reichsbank rate that there was any question of a more or less normal market, although throughout the whole period covered by the Report the determination of the private discount rate was practically to a great extent influenced by the Reichsbank by means of the public monies at its disposal.

The *market for commercial bills accepted by banks* is negligible in importance.

The *rate of interest for current account credits* which constitute by far the most common form of short term credits, amounted during the period covered by the Report to 14 per cent in the banks belonging to the Berliner Stempelvereinigung, but has been recently reduced to 13.4 per cent. The *rate of interest for long term credits* — that is, the rate for mortgage bonds of first class institutions — is round about 10 per cent.

In view of the very limited sphere of activity of the German money market described above, and in view of the special conditions prevailing, the Reichsbank was forced during the period covered by the Report to adopt a much more independent policy than would normally be pursued by a Central Bank of Issue. It will take time before the factors which usually decide the policy of Central Banks are once again present with sufficient clearness in Germany.

Berlin, October 1925.

G. W. J. BRUINS.

# ANNEX A.

## MEANS OF PAYMENT IN CIRCULATION 1923/25.

(In million RM)

| DATE. | REICHSBANK NOTES IN CIRCULATION. | TOTAL CIRCULATION OF MEANS OF PAYMENT. |
|---|---|---|
| 15 November 1923 | 154.7 | – |
| 30 November 1923 | 400.3 | 1,998.5 |
| 31 December 1923 | 496.5 | 2,545.6 |
| 31 January 1924 | 483.7 | 2,679.9 |
| 29 February 1924 | 587.9 | 2,826.7 |
| 31 March 1924 | 680.9 | 3,060.0 |
| 30 April 1924 | 776.9 | 2,911.2 |
| 31 May 1924 | 926.9 | 2,929.5 |
| 30 June 1924 | 1,097.3 | 3,167.8 |
| 31 July 1924 | 1,211.0 | 3,348.6 |
| 31 August 1924 | 1,391.9 | 3,578.1 |
| 30 September 1924 | 1,520.5 | 3,749.8 |
| 15 October 1924 | 1,396.7 | 3,539.4 |
| 23 October 1924 | 1,313.1 | 3,388.7 |
| 31 October 1924 | 1,780.9 | 3,874.0 |
| 7 November 1924 | 1,721.8 | 3,751.8 |
| 15 November 1924 | 1,633.2 | 3,614.5 |
| 23 November 1924 | 1,550.1 | 3,512.3 |
| 30 November 1924 | 1,863.2 | 3,991.9 |
| 7 December 1924 | 1,804.0 | 3,938.0 |
| 15 December 1924 | 1,723.2 | 3,858.0 |
| 23 December 1924 | 1,765.0 | 4,000.4 |
| 31 December 1924 | 1,941.4 | 4,304.7 |
| 7 January 1925 | 1,799.8 | 4,052.8 |
| 15 January 1925 | 1,646.2 | 3,834.3 |
| 23 January 1925 | 1,550.0 | 3,695.0 |
| 31 January 1925 | 1,901.2 | 4,233.7 |
| 7 February 1925 | 1,839.5 | 4,102.9 |
| 14 February 1925 | 1,760.0 | 3,974.1 |
| 23 February 1925 | 1,682.8 | 3,838.9 |
| 28 February 1925 | 2,106.2 | 4,409.7 |
| 7 March 1925 | 2,035.5 | 4,276.8 |
| 14 March 1925 | 1,947.7 | 4,145.0 |
| 23 March 1925 | 1,865.9 | 3,992.7 |
| 31 March 1925 | 2,314.6 | 4,506.4 |
| 7 April 1925 | 2,293.3 | 4,428.0 |
| 15 April 1925 | 2,187.7 | 4,252.8 |
| 23 April 1925 | 2,022.1 | 3,968.9 |
| 30 April 1925 | 2,451.8 | 4,525.1 |

| DATE. | REICHSBANK NOTES IN CIRCULATION. | TOTAL CIRCULATION OF MEANS OF PAYMENT. |
|---|---|---|
| 7 May 1925 | 2,386.5 | 4,406.2 |
| 15 May 1925 | 2,269.5 | 4,261.3 |
| 23 May 1925 | 2,202.8 | 4,163.4 |
| 30 May 1925 | 2,608.8 | 4,791.9 |
| 7 June 1925 | 2,488.1 | 4,536.4 |
| 15 June 1925 | 2,362.9 | 4,339.0 |
| 23 June 1925 | 2,238.6 | 4,202.8 |
| 30 June 1925 | 2,474.4 | 4,801.4 |
| 7 July 1925 | 2,442.6 | 4,679.2 |
| 15 July 1925 | 2,297.9 | 4,467.3 |
| 23 July 1925 | 2,200.9 | 4,320.8 |
| 31 July 1925 | 2,530.3 | 4,911.5 |
| 7 August 1925 | 2,472.7 | 4,771.7 |
| 15 August 1925 | 2,373.2 | 4,625.4 |
| 22 August 1915 | 2,292.3 | 4,486.1 |
| 31 August 1925 | 2,594.6 | 5,004.1 |

## MEANS OF PAYMENT IN CIRCULATION 1912/1913.

(In million RM)

| DATE. | REICHSBANK NOTES IN CIRCULATION. | TOTAL CIRCULATION OF MEANS OF PAYMENT. |
|---|---|---|
| 15 November 1912 | 1,865.0 | 5,722.0 |
| 30 November 1912 | 2,010.0 | 5,854.3 |
| 31 December 1912 | 2,519.4 | 6,374.3 |
| 31 January 1913 | 1,961.9 | 5,800.6 |
| 28 February 1913 | 1,876.0 | 5,711.3 |
| 31 March 1913 | 2,324.7 | 6,176.5 |
| 30 April 1913 | 2,050.6 | 5,891.6 |
| 31 May 1913 | 1,912.7 | 5,745.9 |
| 30 June 1913 | 2,316.8 | 6,171.5 |
| 31 July 1913 | 1,948.7 | 5,785.3 |
| 31 August 1913 | 1,915.7 | 5,743.3 |
| 30 September 1913 | 2,455.6 | 6,308.0 |
| 15 October 1913 | 2,065.0 | 5,924.8 |
| 23 October 1913 | 1,959.4 | 5,819.8 |
| 31 October 1913 | 2,118.7 | 5,956.2 |
| 7 November 1913 | 2,018.2 | 5,860.4 |
| 15 November 1913 | 1,927.6 | 5,775.0 |
| 23 November 1913 | 1,836.7 | 5,685.7 |
| 30 November 1913 | 1,981.9 | 5,817.9 |
| 7 December 1913 | 1,951.9 | 5,797.3 |
| 15 December 1913 | 1,929.5 | 5,784.6 |
| 23 December 1913 | 2,042.3 | 5,908.2 |
| 31 December 1913 | 2,593.4 | 6,453.2 |

# ANNEX B.

## COVER FOR BANK NOTES IN GOLD AND "DEVISEN".

| DATE. | TOTAL GOLD HOLDINGS. | "DEVISEN" AVAILABLE FOR COVER (DECKUNGSFÄHIGE). | TOTAL COVER. |
|---|---|---|---|
| 15 October 1924 | 613,625,000 | 204,541,000 | 818,166,000 |
| 23 October 1924 | 630,502,000 | 210,167,000 | 840,669,000 |
| 31 October 1924 | 694,224,000 | 231,407,000 | 925,631,000 |
| 7 November 1924 | 694,288,000 | 231,429,000 | 925,717,000 |
| 15 November 1924 | 694,626,000 | 231,541,000 | 926,167,000 |
| 22 November 1924 | 694,834,000 | 231,611,000 | 926,445,000 |
| 29 November 1924 | 695,487,000 | 231,829,000 | 927,316,000 |
| 6 December 1924 | 696,106,000 | 232,035,000 | 928,141,000 |
| 15 December 1924 | 696,185,000 | 232,061,000 | 928,246,000 |
| 23 December 1924 | 717,646,000 | 239,215,000 | 956,861,000 |
| 31 December 1924 | 759,609,000 | 253,202,000 | 1,012,811,000 |
| 7 January 1925 | 780,632,000 | 260,210,000 | 1,040,842,000 |
| 15 January 1925 | 791,652,000 | 263,883,000 | 1,055,535,000 |
| 23 January 1925 | 813,126,000 | 271,041,000 | 1,084,167,000 |
| 31 January 1925 | 834,231,000 | 278,077,000 | 1,112,308,000 |
| 7 February 1925 | 844,807,000 | 281,602,000 | 1,126,409,000 |
| 14 February 1925 | 865,795,000 | 288,598,000 | 1,154,393,000 |
| 23 February 1925 | 879,955,000 | 293,318,000 | 1,173,273,000 |
| 28 February 1925 | 907,277,000 | 302,425,000 | 1,209,702,000 |
| 7 March 1925 | 985,169,000 | 328,389,000 | 1,313,558,000 |
| 14 March 1925 | 985,223,000 | 328,407,000 | 1,313,630,000 |
| 23 March 1925 | 996,085,000 | 332,028,000 | 1,328,113,000 |
| 31 March 1925 | 1,003,377,000 | 334,459,000 | 1,337,836,000 |
| 7 April 1925 | 1,003,430,000 | 334,476,000 | 1,337,906,000 |
| 15 April 1925 | 1,003,735,000 | 334,578,000 | 1,338,313,000 |
| 23 April 1925 | 1,004,098,000 | 334,699,000 | 1,338,797,000 |
| 30 April 1925 | 1,014,173,000 | 338,057,000 | 1,352,230,000 |
| 7 May 1925 | 1,014,271,000 | 338,090,000 | 1,352,361,000 |
| 15 May 1925 | 1,014,754,000 | 338,251,000 | 1,353,005,000 |
| 23 May 1925 | 1,015,292,000 | 338,430,000 | 1,353,722,000 |
| 30 May 1925 | 1,015,661,000 | 338,553,000 | 1,354,214,000 |
| 6 June 1925 | 1,015,841,000 | 338,613,000 | 1,354,454,000 |
| 15 June 1925 | 1,040,194,000 | 346,731,000 | 1,386,925,000 |
| 23 June 1925 | 1,061,641,000 | 353,880,000 | 1,415,521,000 |
| 30 June 1925 | 1,061,717,000 | 353,905,000 | 1,415,622,000 |
| 7 July 1925 | 1,065,601,000 | 355,200,000 | 1,420,801,000 |
| 15 July 1925 | 1,068,673,000 | 356,224,000 | 1,424,897,000 |
| 23 July 1925 | 1,103,001,000 | 367,667,000 | 1,470,668,000 |
| 31 July 1925 | 1,104,136,000 | 368,045,000 | 1,472,181,000 |
| 7 August 1925 | 1,113,678,000 | 358,511,000 | 1,472,189,000 |
| 15 August 1925 | 1,114,550,000 | 357,663,000 | 1,472,213,000 |
| 22 August 1925 | 1,137,231,000 | 358,429,000 | 1,495,660,000 |
| 31 August 1925 | 1,138,361,000 | 357,458,000 | 1,495,819,000 |

# ANNEX C.

## PERCENTUAL COVER OF THE BANK NOTES.

| DATE. | COVER IN GOLD AND "DEVISEN". | COVER ONLY IN GOLD. |
|---|---|---|
| 15 October 1924 | 58.6 % | 43.9 % |
| 23 October 1924 | 64.0 % | 48.0 % |
| 31 October 1924 | 52.0 % | 39.0 % |
| 7 November 1924 | 53.8 % | 40.3 % |
| 15 November 1924 | 56.7 % | 42.5 % |
| 22 November 1924 | 59.8 % | 44.8 % |
| 29 November 1924 | 49.8 % | 37.3 % |
| 6 December 1924 | 51.4 % | 38.6 % |
| 15 December 1924 | 53.9 % | 40.4 % |
| 23 December 1924 | 54.2 % | 40.7 % |
| 31 December 1924 | 52.2 % | 39.1 % |
| 7 January 1925 | 57.8 % | 43.4 % |
| 15 January 1925 | 64.1 % | 48.1 % |
| 23 January 1925 | 69.9 % | 52.5 % |
| 31 January 1925 | 58.5 % | 43.9 % |
| 7 February 1925 | 61.2 % | 45.9 % |
| 14 February 1925 | 65.6 % | 49.2 % |
| 23 February 1925 | 69.7 % | 52.3 % |
| 28 February 1925 | 57.4 % | 43.1 % |
| 7 March 1925 | 64.5 % | 48.4 % |
| 14 March 1925 | 67.4 % | 50.6 % |
| 23 March 1925 | 71.2 % | 53.4 % |
| 31 March 1925 | 57.8 % | 43.3 % |
| 7 April 1925 | 58.3 % | 43.8 % |
| 15 April 1925 | 61.2 % | 45.9 % |
| 23 April 1925 | 66.2 % | 49.7 % |
| 30 April 1925 | 55.1 % | 41.4 % |
| 7 May 1925 | 56.7 % | 42.5 % |
| 15 May 1925 | 59.6 % | 44.7 % |
| 23 May 1925 | 61.5 % | 46.1 % |
| 30 May 1925 | 51.9 % | 38.9 % |
| 6 June 1925 | 54.4 % | 40.8 % |
| 15 June 1925 | 58.7 % | 44.0 % |
| 23 June 1925 | 63.2 % | 47.4 % |
| 30 June 1925 | 57.2 % | 42.9 % |
| 7 July 1925 | 58.2 % | 43.6 % |
| 15 July 1925 | 62.0 % | 46.5 % |
| 23 July 1925 | 66.8 % | 50.1 % |
| 31 July 1925 | 58.2 % | 43.6 % |
| 7 August 1925 | 59.5 % | 45.0 % |
| 15 August 1925 | 62.0 % | 47.0 % |
| 22 August 1925 | 65.2 % | 49.6 % |
| 31 August 1925 | 57.7 % | 43.9 % |

# ANNEX D.

## MOVEMENT OF MONEY RATES FROM OCTOBER 1924-AUGUST 1925.

### MONTHLY AVERAGE.

| | REICHSBANK DISCOUNT-RATE. | RATE OF DAY TO DAY MONEY. | RATE OF MONEY AT ONE MONTH. | PRIVATE DISCOUNT-RATE. |
|---|---|---|---|---|
| 1924. | % | % | % | % |
| October | 10.00 | 15.85 | 16.20 | — |
| November | 10.00 | 14.78 | 15.00 | — |
| December | 10.00 | 11.53 | 13.32 | 9.19 |
| 1925. | | | | |
| January | 10.00 | 10.00 | 11.30 | 8.31 |
| February | 9.88 | 10.70 | 11.93 | 8.00 |
| March | 9.00 | 9.00 | 11.30 | 8.00 |
| April | 9.00 | 8.48 | 10.28 | 8.00 |
| May | 9.00 | 8.83 | 10.50 | 7.98 |
| June | 9.00 | 8.76 | 10.64 | 7.75 |
| July | 9.00 | 9.40 | 10.85 | 7.87 |
| August | 9.00 | 9.30 | 10.95 | 7.68 |

# ANNEX D.

## MOVEMENT OF MONEY RATES FROM OCTOBER 1924-AUGUST 1925.

### MONTHLY AVERAGE.

# REPORT

OF THE

# COMMISSIONER OF CONTROLLED REVENUES.

(1st MARCH — 31st AUGUST 1925)

# REPORT

OF THE

# COMMISSIONER OF CONTROLLED REVENUES.

(1st MARCH — 31st AUGUST 1923)

# REPORT

## OF THE COMMISSIONER OF CONTROLLED REVENUES.

### 1ST MARCH - 31ST AUGUST 1925.

30th September 1925.

## I

1. — This report covers the second half of the first year of the Experts' Plan. While the annuity year under the London Agreement runs as from the 1st September, 1924, the control of the assigned revenues only came into operation on the 1st October, 1924, with the result that in the first year only eleven months' receipts have passed through my hands. As shewn in my previous report the receipts of the first half of the annuity year amounted to 691,672,000 M.; the figures are here repeated to facilitate comparison :

| | 1924. | | | 1925. | | TOTAL. |
|---|---|---|---|---|---|---|
| | OCTOBER. | NOVEMBER. | DECEMBER. | JANUARY. | FEBRUARY. | |
| | IN THOUSANDS OF REICHSMARKS. | | | | | |
| Customs | 27,268 | 30,195 | 36,148 | 52,091 | 35,911 | 181,613 |
| Tobacco | 41,689 | 43,326 | 49,148 | 51,035 | 53,256 | 238,454 |
| Beer | 17,609 | 14,822 | 12,575 | 16,928 | 16,380 | 78,314 |
| Alcohol | (1) 14,711 | 18,517 | 19,640 | 20,551 | 13,586 | 87,005 |
| Sugar | 16,741 | 22,835 | 28,719 | 19,498 | 18,493 | 106,286 |
| TOTAL | (1) 118,018 | 129,695 | 146,230 | 160,103 | 137,626 | 691,672 |

(1) The printed official return of receipts shows 56,000 M. less, in consequence of an adjustment of a previous error.

The yield of the revenues in the succeeding six months has been as follows :

| | MARCH. | APRIL. | MAY. | JUNE. | JULY. | AUGUST. | TOTAL. |
|---|---|---|---|---|---|---|---|
| | IN THOUSANDS OF REICHSMARKS. | | | | | | |
| Customs | 38,263 | 38,855 | 35,670 | 37,201 | 57,915 | 39,981 | 247,885 |
| Tobacco | 43,517 | 49,599 | 49,498 | 53,709 | 55,331 | 53,996 | 305,650 |
| Beer | 15,947 | 18,637 | 19,227 | 28,197 | 23,591 | 31,272 | 136,871 |
| Alcohol | 17,945 | 11,050 | 10,201 | 9,167 | 9,343 | 8,457 | 66,163 |
| Sugar | 20,293 | 22,090 | 18,232 | 22,068 | 28,221 | 29,112 | 140,016 |
| TOTAL | 135,965 | 140,231 | 132,828 | 150,342 | 174,401 | 162,818 | 896,585 |

The average monthly receipt has been in round figures 149 million marks as compared with an average in the previous five months of 138 million marks, and the total receipts for eleven months have been 1,588,257,000. Some part of this increase is seasonal, since the return from the Beer Duty regularly increases during the summer months. The steady growth in the receipts from the Tobacco Taxes is, however, accounted for by an increased consumption which may legitimately be regarded as an indication of increased prosperity and spending power. The increase in the yield of the Customs Duties in the last two months is in part seasonal, certain semi-annual liabilities falling due in July; it is in some measure probably due to forestalments in view of the adoption of the new customs law and of higher duty rates on leaf tobacco. As the same time, the duties imposed by this law, particularly when account is taken of the duties on cereals, may confidently be expected to produce in the months to come a higher return than the average of last year.

2. — It is now possible to examine the results of the German financial year 1924-25, which concluded on the 31st March last. The following table gives the estimated and the actual yield for each of the controlled revenues within the year and the actual receipts of 1913-14 are shewn for the purpose of comparison :

| | REVENUE 1913-14. (1). | ESTIMATE 1924-25. | REVENUE 1924-25. |
|---|---|---|---|
| | IN THOUSANDS OF REICHSMARKS. | | |
| Customs | (2) 679,322 | 160,000 | (2) 356,455 |
| Tobacco | 54,114 | 360,000 | 513,098 |
| Beer | 215,825 | 126,000 | 195,549 |
| Alcohol | 193,775 | 140,000 | 141,427 |
| Sugar | 173,746 | 231,000 | 217,605 |
| TOTAL | 1,316,782 | 1,017,000 | 1,424,134 |

(1) These figures represent nett receipts after deduction of expenses of collection, and are therefore not exactly comparable with those for 1924-25, which are gross.

(2) Including approximately 140 millions in 1913-14 and 30 millions in 1924-25 in respect of tobacco.

The discrepancy between the estimated and the actual revenues, taken together with the fact that the national revenue in the fiscal year 1924-25 was sufficient to cover large unforeseen expenditure and to provide a surplus of an uncertain amount, might seem to invalidate the considerations which led the Expert Committee to conclude that it would be unsafe to assume that there would be a surplus of revenue in the year in question, or even that there would be no deficit. It must be remembered, however, that when the Expert Committee were sitting German economic conditions had attained no real stabilisation, and estimates both of revenue and expenditure were largely guess work, that the encouraging progressive increase exhibited in the yield of the revenues is the direct result of the restoration of general confidence brought about by the adoption of the Experts' Plan, and that finally any

undue optimism as to the results of the year and any demands upon Germany which might have been suggested by such undue optimism would have impeded the restoration of that confidence and would have adversely affected the yield to an unknown extent.

3. — As regards the fiscal year 1925-26, which contains five months of the first annuity year and the first seven months of the second annuity year, the most recent budget estimates published are as follows :

| | R. M. |
|---|---|
| Customs | 356,050,000 |
| Tobacco Tax | 560,200,000 |
| Sugar Tax | 185,000,000 |
| Beer Tax | 174,000,000 |
| Alcohol Monopoly | 150,000,000 |
| TOTAL | 1,425,250,000 |

It will be noticed that the above figures are based, with minor variations, on the actual results of the fiscal year 1924-25. Being based on the results of the year as a whole, they take no account of the progressively increasing yield within the year and may be regarded as a very conservative estimate. Five months of the fiscal year have already elapsed and if the average of these months were maintained the annual yield would amount approximately to 1,825,000,000, or 400,000,000 more than the estimate.

While there is no direct charge upon the budget in favour of reparation during the current annuity year, the Plan provides that in the third annuity year the budget shall furnish a contribution of 110 million marks, subject to a supplementary contribution, in the event of the yield of the aggregate controlled revenues exceeding 1 milliard in that year, of a sum equal to one third of the surplus but not exceeding 250 million marks, and subject to a corresponding diminution if the aggregate revenue should fall short of 1 milliard. An examination of the above figures would appear to justify the hope that the greater part, if not the whole, of the supplementary contribution will fall due for payment. It should be added that under the Protocol governing the control of the revenues any such supplementary contribution would not actually be effected until after the conclusion of the year in which it was earned.

4. — The following figures of consumption and receipts in the case of tobacco, beer, sugar and alcohol do not purport to be either official or authoritative. They are in all cases founded on official data, but in some cases, even where the official data are cited, they are data which the German Government itself furnishes as subject to reserves, and in others they are provisional; certain figures again are the result of statistical calculation; the figures are not therefore indisputable but they may be accepted without fear of serious error as correctly indicative of broad tendencies.

It is to be observed that the figures shewn for tobacco receipts include the proceeds of Customs duties on the various kinds of raw or manufactured tobacco, inasmuch as before the war the larger part of the revenues obtained from tobacco was furnished by these Customs duties. The figure of alcohol consumption naturally does not include alcohol secretly produced or fraudulently obtained, and it has been alleged that the consumption of such alcohol has in recent years attained very considerable amounts. It is further to be noted in general, firstly that the quality of the product consumed since the war is in some cases inferior to that of the product consumed before the war, and secondly, that the value of the present revenues must be regarded in the light of the present value of gold.

Such as they are, the figures shew that the consumption of tobacco and sugar has about attained its pre-war level, while the consumption of beer and alcohol remains considerably below that of 1913. It will further be observed that the weight of duty per unit of consumption exhibits an appreciable increase varying from 50 % to 240 %. The aggregate yield of the consumption taxes on tobacco (including Customs duties), beer, sugar and alcohol has increased from approximately 800 millions in 1913 to 1,240 millions in 1924-25.

| | TOBACCO. — WEIGHT of raw tobacco. | BEER. — VOLUME irrespective of quality and alcoholic content. | SUGAR. — WEIGHT of refined sugar. | ALCOHOL. — VOLUME of pure alcohol (exclusive of industrial alcohol). |
|---|---|---|---|---|
| 1. Pre-war consumption and revenue (1) for periods of 12 months : | July 1912/ June 1913. | Apl. 1913/ March 1914. | Sept. 1913/ Aug. 1914. | Oct. 1912/ Sep. 1913. |
| Consumption | 114,000,000 kgs. | 68,800,000 hl. | 1,290,000 tons. | 1,870,000 hl. |
| Consumption per caput | 1.7 kgs. | 102 litres. | 19 kgs. | 2.8 litres. |
| Revenue (in mks) | 183,000,000 | 227,000,000 | 180,000,000 | 215,000,000 |
| Average fiscal burden per unit of consumption | 1.60 mark per kg. | 3.30 marks per hl. | 0.14 marks per kg. | 115 marks per hl. |
| 2. Consumption and revenue in 1924–1925 (2) for periods of 12 months : | July 1924/June 1925. | | September 1924/August 1925. | |
| Consumption | 107,000,000 kgs. | 40,600,000 hl. | 1,260,000 tons. | 687,000 hl. |
| Consumption per caput | 1.7 kgs. | 65 litres. | 20 kgs. | 1.1 litre. |
| Percentage of pre-war figure | 100 %. | 63 %. | 106 %. | 39 %. |
| Revenue (in mks) | 586,000,000 | 220,500,000 | 265,500,000 | 164,400,000 |
| Averal fiscal burden per unit of consumption | 5.50 marks per kg. | 5.40 marks per hl. | 0.21 mark per kg. | 239 marks per hl. |
| Percentage of pre-war figure | 346 %. | 165 %. | 150 %. | 208 %. |

(1) Pre-war territory.
(2) Present territory.

## II

1. — Changes have taken place in the rates of each of the assigned taxes except alcohol within the period under review.

On the 17th August last, a bill modifying the rates of duty prescribed in the Customs tariff of 1902 became law. This latter tariff contained 946 categories and in the case of certain categories the duties had already been modified by laws and decrees subsequent to the law of 1902. The modifications contained in the new law affect 376 categories of the 1902 tariff. The rates have been appreciably raised, the justification put forward being that on the one hand the existing tariff was no longer adapted to the after war conditions of the German economy, and that on the other hand Germany required a tariff better suited to the negotiation of commercial treaties with the various other countries.

The new law annuls, except for a few products, such of the decrees issued during the war provisionally suspending certain customs duties as were still in force.

Cereals are among the products which will no longer enjoy freedom from duties; they are however, subject only to reduced duties up to July 31st, 1926. Minimum duties have been suppressed in the case of cereals and introduced in the case of cattle.

Further, the system of free import permits (Einfuhrscheine) has been re-introduced, certain of the provisions which govern its application under the Tariff Law of 1902 being modified.

In the application of the new Law, the Government has fairly extended powers, and it is authorised, in the case of urgent economic necessity, to modify or to suppress customs duties with the consent of the Reichsrat and of a Committee of the Reichstag.

It should be observed that the nett customs receipts obtained from the importation of certain cereals, livestock and beef are assigned to social purposes. To this end, from the sums replaced by the Commissioner of Controlled Revenues at the disposal of the Government, 50 million marks are earmarked for invalidity insurance and public relief.

A decree of the 19th August last, issued by the Ministry of Finance, determines the dates at which the respective provisions of the law come into force. The law will remain in force until the 31st July, 1927, at which date a new tariff, now being prepared, should be promulgated.

It would be at present a matter of extreme difficulty to form even an approximate estimate of the yield of the customs duties at their new rate. Firstly, it is impossible to gauge the effect which the new rates will have in restricting imports; secondly, it is impossible to foretell to what extent the rates may be lowered in present or future commercial negotiations; thirdly, even if the importation of articles liable to customs duty does not diminish, it is extremely difficult to apply the differ-

ent rates of the tariff to the various commodities contained in the same category of the commercial statistics.

2. — In my previous report, I referred to increases in the tobacco duties which had been submitted to the legislature by the German Government. The original Bill submitted in February provided in general for a 25 % increase in the taxation rates on all tobacco products. This Bill was rejected by the Reichstag Tax Committee towards the end of June and withdrawn by the Government. After prolonged negotiations, the Government accepted a proposal put forward in Committee which provided :

(1) for an increase in the *ad valorem* tax on fine-cut tobacco from 40 to 45 % and

(2) for the substitution for the existing 40 % *ad valorem* tax on cigarettes of a dual system compounded of 40 % *ad valorem* tax and a specific tax of 250 M. per 100 kgs., with power to the Minister of Finance to vary by decree the proportions of *ad valorem* and specific taxes imposed on the cigarettes and materials respectively.

The Minister of Finance forthwith submitted to the Reichstag Committee a decree fixing at 20 %, as from the 1st October, 1925, the amount of *ad valorem* tax and at 900 M. the 100 kilograms the amount of specific tax which would be borne by cigarettes. On the assumption adopted by the Finance Minister that with the new rates in force there would be a general reduction of about 10 % in the weight of tobacco in cigarettes, the new rates could be translated into terms of *ad valorem* duty as follows :

| CIGARETTE RETAIL PRICE. | *AD VALOREM* TAXATION PER CENT. |
|---|---|
| 2 pfgs. | 74 |
| 3 » | 56 |
| 4 » | 47 |
| 5 » | 41.6 |
| 6 » | 38 |
| 7 » | 35.4 |
| 8 » | 33.5 |
| 10 » | 30.8 |
| 12 » | 29 |
| 15 » | 27.2 |

These rates would replace an existing flat rate of 40 % *ad valorem*, and the attention of the Minister of Finance was therefore called to the fact that in certain cases the new decree involved reductions in the rates of the assigned duties which required my consent. The professed object of the Finance Minister is to obtain, by the above re-adjustment of the cigarette duties, an increased

revenue of 75 million marks per annum, and it is his declared intention to vary the rates if this result is not attained in practice. The rates are therefore admittedly experimental and the result of the experiment depends on factors which it is not possible to forecast with accuracy. In the past, cigarettes at 3 pfgs. and 4 pfgs. have accounted for more than 50 % of the consumption and those at 5 pfgs. or less for approximately 90 %. It is evident that a 2 pfgs. cigarette which formerly contained 40 % duty can no longer be profitably sold when it contains 74 % duty unless the weight or quality or both of the tobacco are reduced; whether it will be possible in the future to maintain cigarettes at the cheapest prices, or to sell a sufficient number of 5 pfg. cigarettes to produce additional revenue, will depend partly on the reduction in weight and deterioration in quality of the cigarette which will be found to be practicable, and partly on the extent to which the manufacturer can compensate himself for a smaller profit on the cheap cigarettes by the larger profit which under the new scheme he will draw from the sale of all cigarettes costing 6 pfgs. or more apiece. If, as is possible, the cheapest categories of cigarettes are driven out of existence, there may be an absolute reduction in consumption and in yield. To some extent, moreover, there may be a diversion of consumption from cigarettes to the cheapest form of cigars, which are not so heavily taxed. The risk of such a change in public taste is increased by the fact that cigarette consumption in its present proportions is a war and post-war phenomenon; while the annual consumption of cigars has fallen since the war from 8 milliards to 5 milliards, that of cigarettes has increased from some 13 milliards to approximately 28 milliards. It therefore appeared to me that the results of the new scale must be considered conjectural, and my consent to the reductions of rates introduced by the decree was made conditional upon an undertaking by the Finance Minister to propose the necessary alterations in the rates fixed, should I so request, if the result of some months' application of the new rates, judged by defined tests, should appear to show that the maintenance of the old system would have produced higher revenue.

The object of the new system, which comes into force on the 1st October, 1925, is to produce increased revenue, and the Finance Ministry is confident that this result will be attained. Should its hopes be falsified it will not be necessary to request an alteration if, notwithstanding a decrease in the yield from cigarettes, the yield of the controlled revenues as a whole is satisfactory; a conditional consent however appeared to me to be imperative for the following reason: should the intention of the Finance Minister be frustrated, the loss of revenue resulting from the continued application of the new system after the 31st August, 1926, i. e. into the third annuity year, would be borne as to one third by the recipients of reparation, unless the aggregate controlled revenues, in spite of the loss on cigarettes, amounted to not less than 1,750 million marks. In this connection it is important to realise that roughly 70 % of the tobacco duties as a whole, and roughly 20 % of the present yield of the aggregate controlled revenues, are furnished by the Cigarette Tax.

It should be added that the Customs Duty on imported tobacco, which supplies from four-fifths to five-sixths of the tobacco consumed in Germany, has been increased from 30 M. to 80 M. the 100 kilograms. It is estimated that this increase will produce additional revenue to the amount of 30 millions.

3. — Reference was also made in my previous report to the proposal to double the Beer Duty. This proposal also met with Parliamentary opposition, in face of which the Government consented to reduce the increase to approximately 33 1/3%. The operation of the increased rates was, moreover, postponed until the 1st April, 1926, and a considerably longer delay was granted for the payment of duty falling due. The increased revenue to be obtained may be estimated at 40 million marks in a full fiscal year.

4. — Until recently, the sugar tax was by law fixed, in the case of starch sugar (glucose, etc., which accounts for less than 5 % of the consumption) at 14 %, and in the case of other sugar at 35 % of the producers' price for sugar for consumption at Magdeburg, and it devolved upon the Finance Minister to determine by decree on this basis from time to time the tax per 100 kgs. nett weight. The last decree, dated the 7th December, 1923, fixed the rate at 8.40 gold marks for starch sugar and 21 gold marks for other sugar.

At the time of this decree, these rates corresponded to the percentage of the Magdeburg price laid down by law. In spite of a heavy subsequent fall in the price of sugar, no decree was issued to modify the rates and bring them into closer relation to the prevailing price of sugar. In the course of the spring, the Minister of Finance introduced proposals which were duly passed and which replace the *ad valorem* percentage tax by a specific tax of 8.40 marks for starch sugar and 21 marks for other sugar per 100 kgs. These rates correspond at prevailing prices to approximately 23 % and 58 % respectively of the Magdeburg price.

In present circumstances, this measure represents, in effect, a substantial increase in the rate of duty. It involves, however, a contingent reduction in the event of the price of sugar rising to a figure at which the above rates would represent a smaller percentage of the producers' price than those leviable under the law of the 9th July, 1923. Such a contingency may, however, be regarded as remote and in the circumstances I had no difficulty in consenting to the theoretical reduction which the change from an *ad valorem* to a specific duty might be held to involve.

It should be added that under the new tariff law foreign sugar, the importation of which in restricted quantities has in recent times been permitted under licence free of customs duty, is subjected to duties at the following rates :

10 marks per 100 kgs. for sugar for consumption,

8 marks per 100 kgs. for other sugar including raw sugar,

4 marks per 100 kgs. for molasses.

The enforcement of the duty on molasses is, however, delayed till the 31st July, 1926. At the same times ordinances were published which have removed all Government restrictions on the import and export trade in sugar.

5. — In my previous report, I referred to extensive frauds affecting the receipts from the alcohol duty. Unfortunately since that report was written further serious cases have come to light and the aggregate amount by which the revenue has been

defrauded must amount to a very considerable sum. In many cases, the authorities have been successful in arresting the perpetrators, and they will in due course be brought to trial when the extensive ramifications of the frauds have been unravelled.

The frauds are diverse in character. In some cases large quantities of spirit, sold by the Monopoly at reduced prices for denaturing purposes, have not been denatured but passed into consumption as potable spirit; in other cases again, the denaturant has been extracted from denaturised alcohol; large quantities of alcohol would appear to have been illegally imported on forged documents, though in this class of case it is only the detection, and not the perpetration, of the frauds which is of recent date; finally, large quantities have been illicitly distilled. Some idea of the difficulty of effectively combating this last evil may be gathered from the fact that in the Monopoly's business year 1922-23 there were 39,000 distilleries producing not more than 10 hls. per annum, and that on an average for the business years 1919-20 to 1922-23 there were in addition 162,000 producers of home-grown distilling materials, i. e. persons who possess no still but are entitled, subject to notification to the fiscal authorities, to have alcohol distilled from their own home-grown fruit in stills belonging to others. It has been alleged that the quantities of secretly manufactured or fraudulently treated alcohol put on the market have been at least as large as the quantities of potable spirits sold by the Monopoly Administration itself.

From investigations which have been made by the German Government, it would appear that, except in the case of illicit distilling, it would have been generally impossible for the major frauds to have been perpetrated without the corrupt collusion of Government servants. Sporadic instances of corruption in the administration may perhaps be legitimately regarded as the aftermath of the inflation period, for the efficiency and integrity of the German civil servant need no testimony; with the disappearance of those special conditions which put a strain upon human nature against which it could not in all cases be expected to be proof, it is permissible to hope that this particular feature of the question is now a matter of the past. In the meantime, the authorities have, by various administrative measures designed to intensify the control of alcohol at all stages, and by modifications in the denaturants permitted, made a repetition of frauds on a large scale more difficult. They have also conducted an intensive campaign against so-called « black » or illicit distilling, particularly in the southern country districts.

At the same time, the administration of the whole Monopoly system has been latterly subjected to serious parliamentary and public criticism; the difficulties of the Monopoly and the grounds of public dissatisfaction would, however, be too complicated for explanation in a summary report. Shortly before rising, the Reichstag set up a Committee of Enquiry into the Monopoly and the results of its operation which will meet on the reassembly of the Reichstag. The Government had already announced the introduction of a Bill on the re-organisation of the Monopoly, but will now presumably await the report of the Committee in question.

III.

Inspections have been carried out at the Oberfinanzkassen in Bremen, Cologne, Hannover, Kiel, München, Münster, Nürnberg, Oldenburg, Schwerin, Stuttgart and Würzburg; at the Zollkassen Stuttgart Hauptzollamt, München Bayerstrasse Hauptzollamt, and Berlin-Nord Hauptzollamt, which are among the ten most important Zollkassen; and at numerous ordinary Zollkassen. In addition, a brewery in Berlin and a glucose factory in Frankfurt on the Oder were visited, and the accounts on which the assessment of the taxes are based were examined. No serious errors were brought to light and the requirements of the Control Protocol appeared to be fully met. Unfortunately the Finance Ministry has recently deemed it necessary in the interests of economy to issue a new order under which the daily remittances from the Zollkassen to the Oberfinanzkassen are not acknowledged by the latter until after the end of each month. This administrative modification will inevitably render control by inspection more complicated and arduous, since it will only be possible to verify the effective centralisation of the controlled revenues collected by the Zollkassen by visits to the Oberfinanzkassen respectively concerned. The working of the new order, which has only just come into force, will be carefully watched.

Signed : ANDREW McFADYEAN.

# REPORT OF THE TRUSTEE

## FOR GERMAN INDUSTRIAL DEBENTURES.

### (MARCH 1, 1925 TO AUGUST 31, 1925).

# REPORT OF THE TRUSTEE

## FOR GERMAN INDUSTRIAL DEBENTURES.

### (MARCH 1, 1925, TO AUGUST 31, 1925.)

As was mentioned in the Trustee's Report dated April 10, 1925, the Trustee and the Bank für Deutsche Industrie-Obligationen (Bank for German Industrial Debentures), which is hereafter termed "the Bank", have, since February 28, 1925, been in possession of certificates for individual non-negotiable debentures, issued by German industry, for a nominal value of 5 milliard gold marks. On the same date, February 28, 1925, the Bank proceeded to issue 5 per cent Industrial Bonds to bearer for an identical amount, viz. 5 milliard gold marks, the interest and sinking fund service of which is guaranteed by the above mentioned non-negotiable debenture certificates.

* * *

Since February 28, 1925, two new Decrees in execution of the Industrial Charges Law (Industriebelastungsgesetz) have been issued by the Government of the Reich:

*a*) Decree of April 6, 1925, ordering the Bank to indicate by a specific note on each of the individual debentures which it holds jointly with the Trustee that the nominal value of each debenture is reduced by 8 per cent; this reduction is alluded to on page 5 of the Trustee's Report of April 10, 1925;

*b*) Decree of May 27, 1925, providing that the negotiable debentures which the Trustee is empowered to call up under the Law must be drawn up in conformity with the specimen agreed to by the Trustee, a copy of which is given in the Annex to the Decree.

* * *

The Industrial Charges Law empowers each concern to redeem, prior to August 31, 1925, its own debentures either *in toto* or in part. So far, no concern has availed itself of this right, a result which is obviously largely due to the present economic situation in Germany, and primarily to the difficulty of obtaining credit at favourable rates. Each concern, however, retains the right to proceed at a later date to redeem its own debentures, but only in so far as these have not been sold by the Trustee.

In accordance with the Industrial Charges Law, the Trustee, who must have at his disposal not less than 500 million gold marks of individual debentures which might possibly be realised as such is entitled to require the most important concerns, representing conjointly a total debenture charge to the value of 1 1/2 milliard, to supply him with 5 per cent negotiable debentures to bearer for an amount equivalent to half the charge for which they are responsible in exchange for an equal amount of non-negotiable debenture certificates.

The above-mentioned 500 million gold marks of negotiable debentures are to be selected by the Trustee from among 750 million gold marks of the debentures to bearer to be issued by the concerns. For this purpose, 219 certificates for individual debentures, the nominal total value of which amounts to about 1 milliard 500 million gold marks, have been collected. These certificates do not include those issued by shipping and railway transport concerns, as these are exempted from the obligation to issue negotiable debentures to bearer.

The above charge for 1 1/2 milliard is distributed as follows;

| CLASS OF INDUSTRY. | No of concerns. | VALUE. | PERCENTAGE. |
|---|---|---|---|
| | | G.M. | |
| Heavy industry (Mines, Iron and Steel)..... | 82 | 629,302,540 | 42.83 |
| Machinery and Electricity..... | 64 | 381,609,560 | 25.97 |
| Chemical..... | 29 | 296,083,140 | 20.15 |
| Textiles..... | 8 | 39,206,360 | 2.68 |
| Production and distribution of Gas and Water... | 7 | 42,968,140 | 2.93 |
| Paper..... | 2 | 9,162,740 | 0.63 |
| Foodstuffs..... | 11 | 33,430,040 | 2.28 |
| Leather..... | 3 | 10,747,900 | 0.74 |
| Building materials..... | 4 | 12,808,240 | 0.87 |
| Printing..... | 1 | 3,742,560 | 0.25 |
| Building..... | 2 | 6,774,420 | 0.46 |
| Cinematograph..... | 1 | 3,146,400 | 0.21 |
| TOTAL..... | 214 | 1,468,981,940 | 100 |

NOTE. — The percentage refers solely to the value of the charge upon concerns required to issue negotiable debentures (1,468,981,940).

Each concern issuing the above mentioned certificates has been notified by the Bank that it is required to remit to the Trustee 5 per cent negotiable bearer debentures for half the value of its non-negotiable debenture certificate.

Under the Law, however, any concern liable to remit negotiable debentures to the Trustee is entitled to appeal to one of the Financial Courts on the ground that the amount allocated to it under the distribution is unjust. Of the 219 concerns liable to the issue of negotiable debentures 99, representing a total charge of 286,600,000 gold marks, have filed an appeal for a reduction of their charge or for exemption.

The Fifth Senate of the Finance Court of the Reich (Reichsfinanzhof) in Munich, which was entrusted under the Decree of January 10, 1925, with the hearing of these appeals, has taken a decision confirming the obligation in the case of 33 concerns

to issue debentures to bearer for the value stipulated by the Bank and the Trustee; it exempted 5 concerns and reduced the amount demanded in the case of the other 61 concerns from G. M. 182,600,000 to G. M. 111,900,000.

Consequently, the nominal value of the negotiable debentures, viz. 750 million gold marks, from which the Trustee is empowered to select 500 million gold marks, is reduced to 653,500,000 gold marks.

Under the Law, in which provision is made for a reduction of the charge in consequence of appeals, the Trustee is entitled to make good any deficit in the total of 750 million gold marks by calling on the next largest concerns after those already liable to issue negotiable debentures. The Trustee, however, has decided that it will be inadvisable to make use of this power. In order to make good the deficit resulting from the reductions allowed by the Fifth Senate, he would have had to call on some 100 concerns of secondary importance. He believes that a satisfactory selection of the 500 million of gold marks of debentures can be quite easily effected from the balance of 653,500,000 gold marks.

Hence, the 5 milliard gold marks of debentures which are held by the Trustee on behalf of the Reparation Commission now consist of :

5 per cent Industrial Bonds to bearer issued by the Bank for a nominal value of 4,346,500,000 gold marks.

and 5 per cent negotiable debentures to bearer issued by the concerns direct for a nominal value of 653,500,000 gold marks,

It should be noted that the Trustee is entitled at any moment to remit to the Bank the 5 per cent negotiable debentures to bearer either *in toto* or in part and to receive in exchange 5 per cent Industrial Bonds for an identical amount.

***

The Industrial Bonds, like the negotiable debentures, are personal obligations secured by :

*a*) a first mortgage on immovable property;

*b*) special privileges in the event of compulsory sale (Zwangsversteigerung) or of bankruptcy;

*c*) the guarantee of the German Government.

The worth of the 5 milliards of debentures will be more easily appreciated if a few explanations are given as to the nature and scope of the guarantees mentioned above.

*a*) The mortgage security on immovable property, which constitutes the real security for the debentures issued by German industry, is a first mortgage having the

character of a Public Law mortgage (öffentliche Last) and in addition the more important and advantageous features of a private contractual mortgage. Established under the Industrial Charges Law, it encumbers the immovable property of the concerns required to issue debentures and requires no constitutive act or registration. It ranks before all mortgages subsisting at the time of the coming into force of the Law, with the exception of the Swiss gold mortgages, the value of which is insignificant. It follows the immovable property so encumbered in the event of the alienation. In its aspect of a Public Law mortgage, although the capital value is specified on each debenture, payment is due only in respect of the annual interest and sinking fund account, and not of the principal. In its aspect of an ordinary contractual mortgage, it constitutes the collateral to the personal liability of each concern and is subject to a number of provisions in the German Civil Code relative to Private Law mortgages.

The immovable property subject to the mortgage consists under GermanLaw of all land sites used for industrial purposes and all buildings on such sites, plant and machinery forming part of the industrial undertakings, stocks of materials, *e. g.* fuel oil and other materials required for the working of the plant, mining rights and surface rights. Raw materials and finished products intended for sale are exempt from the mortgage.

*b*) The special privileges established by the Law are of two kinds. First, the compulsory sale (Zwangsversteigerung) of the property of concerns whose annuity payments are in arrears is effected *ipso facto* upon application by the Trustee and the Bank, and does not require an award by a Court of Law. Secondly, the amounts due to the Trustee and the Bank enjoy a prior lien on the entire movable and immovable assets of the concern over all other creditors, with the exception of course of the workers and employees. In case of bankruptcy, liabilities on account of the debentures issued by a concern rank before all other debts and all public charges after payment of the wages of employees and workers and settlement of the costs for the preservation of the assets in question.

*c*) The German Government guarantees the payment of the principal, interest and sinking fund of the debentures issued by the concerns. For this purpose, the Industrial Charges Law and likewise the London Agreements of August 30, 1924, confer on the Trustee the necessary powers to obtain from the Commissioner for Controlled Revenues, appointed under the Experts' Plan and the London Agreements, any sums unpaid on the due date. The Commissioner for Controlled Revenues controls the yield of the Customs and of the taxes on tobacco, alcohol, beer and sugar. The revenue from these sources for the 11 months from October 1, 1924, to August 31, 1925, amounted to 1,588,257,000 Reichsmarks (*see* Report of the Commissioner for Controlled Revenues March 31, 1925, to August 31, 1925). It is to be used, in the conditions specified in the London Agreements, to make good any deficiencies in the payment of the budgetary contribution due from Germany on Reparation account, and further, if the Trustees so require, any deficiencies in the payments provided for in fulfilment of the obligations

contained in the Statutes of the German Railway Company (660 million Gold Marks) and in the Industrial Charges Law (300 million Gold Marks).

*
* *

The total of the annuity to be borne by German industry amounts to 300 million gold marks. This sum ensures interest at 5 per cent per annum and sinking fund at 1 per cent per annum in respect of the 5 milliards of debentures.

The capital value, 5 milliard gold marks, as was said in the preceding Report, represents 15.732 per cent of the business capital (Betriebsvermögen) of the concerns, as estimated by the German taxation authorities for the assessment of the Tax on Real and Personal Property (Vermögensteuer). The value of the capital liable to the Tax — which comprises the value of all immovables, plant, stocks of raw materials, manufactured products, etc., less debts — amounts, according to the official estimates, to about 32 milliard gold marks. The annuity, 300 million gold marks, is accordingly rather less than 1 per cent of the "Betriebsvermögen" liable to the Reparation debentures.

It should be observed that, with the object of equalising the burden of the charge, the German Government, on August 30, 1924, promulgated a Law under which the obligation of contributing to the payment of the annuity, 300 million gold marks, was extended so as to include various classes of concerns which do not come under the Industrial Charges Law. Hence the actual contribution to be made by each concern required to deliver Industrial Debentures will, according to the estimates, be reduced by about one-third of the amount indicated above. It results therefrom that the industrial debentures have been established on a reasonable basis, that they are provided with real guarantees, which are adequate in every respect, and that they may be regarded as scrip of the first class. Once the work of economic reconstruction in Europe has been achieved and consolidated and the accumulation of savings has resumed its upward tendency, these debentures are sure to encounter a keen demand among those in search of gilt-edged securities.

Berlin, September 30, 1925.

Signed : B. NOGARA.